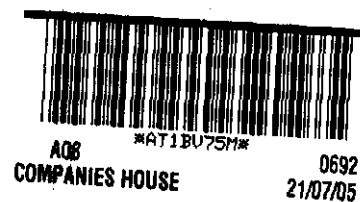


**Danfoss Holding UK Limited**

**Directors' report and financial  
statements**

**Registered number 2605811**

**31 December 2004**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### Principal activities

The company is an investment holding company with subsidiaries engaged in the manufacture and supply of automatic controls, components and compressors.

### Results and dividend

The results for the year are set out in the profit and loss account on page 4. The directors recommend the payment of a dividend of £10,000,000 (2003: £35,000,000).

### Directors and directors' interests

The directors who held office during the year were as follows:

Jorgen Mads Clausen  
Ole Steen Andersen

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company or other group companies. According to the register of directors' interests, no rights to subscribe for shares in the company were granted by any of the directors or their immediate families, or exercised by them during the financial year.

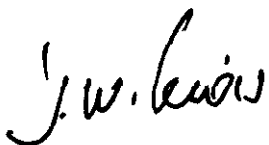
### Political and charitable contributions

The company made no political or charitable contributions during the year (2003: none).

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



JW Lewis  
Secretary

Capswood  
Oxford Road  
Denham  
Buckinghamshire  
UB9 4LH

24<sup>th</sup> June, 2005

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Aquis Court  
31 Fishpool Street  
St Albans  
AL3 4RF  
United Kingdom

## **Independent auditors' report to the members of Danfoss Holding UK Limited**

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### ***Basis of opinion***

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

11 July 2005

**Profit and loss account**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
Income from shares in group undertakings		<b>2,925</b>	3,050
Profit on disposal of investments	6	-	29,251
Administrative expenses	6	<b>123</b>	(12)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>3,048</b>	32,289
Interest receivable and similar income	2	<b>1,237</b>	608
Interest payable and similar charges	3	<b>(204)</b>	(247)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>4,081</b>	32,650
Tax on profit on ordinary activities	5	<b>(350)</b>	(78)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>3,731</b>	32,572
Dividend proposed	7	<b>(10,000)</b>	(35,000)
		<hr/>	<hr/>
<b>Retained loss for the year</b>		<b>(6,269)</b>	(2,428)
Retained profit brought forward		<b>6,978</b>	9,406
		<hr/>	<hr/>
<b>Retained profit carried forward</b>	12	<b>709</b>	6,978
		<hr/>	<hr/>

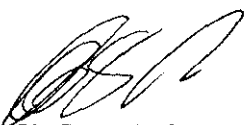
The result for the current and previous year is derived from continuing activities.

The company has no recognised gains or losses other than the result for the current and previous years.

**Balance sheet**  
*at 31 December 2004*

	<i>Note</i>	<b>2004</b>	<b>2003</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Investments	8	10,526	10,673
<b>Current assets</b>			
Debtors	9	3,525	39,477
Cash at bank and in hand		7,395	1,646
		<u>10,920</u>	<u>41,123</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>14,537</u>	<u>38,618</u>
<b>Net current (liabilities)/assets</b>		<b>(3,617)</b>	<b>2,505</b>
<b>Net assets</b>		<u><b>6,909</b></u>	<u><b>13,178</b></u>
<b>Capital and reserves</b>			
Called up share capital	11	6,200	6,200
Profit and loss account	12	709	6,978
<b>Equity shareholders' funds</b>	13	<u><b>6,909</b></u>	<u><b>13,178</b></u>

These financial statements were approved by the board of directors on 29<sup>th</sup> April 2005 and were signed on its behalf by:

  
**Ole Steen Andersen**  
 Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard No. 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Danfoss A/S, the company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Danfoss A/S, within which this company is included, can be obtained from the address given in note 14.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

#### *Investments*

Investments are stated at cost less provision, if any, for permanent diminution in value.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Taxation*

The charge for taxation is based on the profit for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard No. 19.

### 2 Interest receivable and similar income

	2004 £000	2003 £000
Income from loans to group undertakings	1,171	504
External interest received	66	104
	<hr/>	<hr/>
	1,237	608
	<hr/>	<hr/>



## Notes (continued)

### 3 Interest payable and similar charges

	2004 £000	2003 £000
Loans from group undertakings	201	240
Other	3	7
	<u>204</u>	<u>247</u>

### 4 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit fee	5	5
Other services	9	7
	<u>14</u>	<u>12</u>

None of the directors received any remuneration in respect of their services to the company, nor were any contributions paid into money purchase schemes on their behalf (2003: £nil). The company had no employees in the year ended 31 December 2004 (2003: nil).

### 5 Taxation

	2004 £000	2003 £000
Analysis of charge in period		
UK corporation tax		
Current tax on income for period (2003: 30%)	350	78
	<u>350</u>	<u>78</u>
<i>Current tax reconciliation</i>		
	2004 £000	2003 £000
Profit before tax	4,081	32,650
Tax at standard rate of 30% on profit for the year (2003: 30%)	1,224	9,795
Profit on disposal of subsidiaries not chargeable to tax	-	(8,775)
Dividends receivable from subsidiaries not chargeable to tax	(878)	(915)
Excess management expenses brought forward	-	(27)
Other timing differences	4	-
	<u>350</u>	<u>78</u>
Total current tax charge	350	78

## Notes (continued)

### 6 Disposal of investments

During the 2003 Danfoss A/S sold its worldwide flowmetering business resulting in a profit on disposal of £29,251,000. In 2004, a previously written off bad debt was recovered from flowmetering giving rise to additional profit on disposal of £211,000 in the current year. The associated credit has been included within administrative expenses.

### 7 Dividends

	2004 £000	2003 £000
Ordinary shares:		
Final dividend proposed	10,000	35,000

### 8 Investments

	Shares in subsidiary undertakings £000	Listed investments £000	Total £000
Cost:			
At 1 January 2004	10,670	3	10,673
Disposals	(144)	(3)	(147)
At 31 December 2004	10,526	-	10,526

The disposal in the year relates to the liquidation of Woodley Electronics, a previously acquired company; the assets and liabilities of which were transferred to Danfoss Limited. No loss on disposal was incurred following the liquidation.

Subsidiary undertakings	Country of incorporation	Issued ordinary share capital	% owned	Principal activity
Danfoss Limited	England and Wales	3,250,000	100	Manufacture and supply of controls and drives for electrical and refrigeration industries
Danfoss Randall Limited	England and Wales	3,600,000	100	Manufacture and supply of time switches and thermostatic valves

### 9 Debtors

	2004 £000	2003 £000
Amounts recoverable from group undertakings	600	36,427
Dividends receivable	2,925	3,050
	3,525	39,477

Interest is receivable on the loans to group undertakings based on LIBOR.

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to parent company	-	877
Amounts owed to subsidiary company	4,158	2,499
Corporation tax	300	78
Accruals and deferred income	79	164
Dividends proposed	10,000	35,000
	<u>14,537</u>	<u>38,618</u>

Interest is payable on the loans to subsidiary undertakings based on LIBOR.

### 11 Called up share capital

	2004 £000	2003 £000
<i>Authorised, allotted, called up and fully paid</i> Equity: 6,200,000 ordinary shares of £1 each	<u>6,200</u>	<u>6,200</u>

### 12 Reserves

	Profit and loss account £000
At 1 January 2004	6,978
Retained loss for the year	(6,269)
	<u>709</u>
At 31 December 2004	

### 13 Reconciliation of movement in shareholder's funds

	2004 £000	2003 £000
Profit for the financial year	3,731	32,572
Dividends	(10,000)	(35,000)
	<u>(6,269)</u>	<u>(2,428)</u>
Net reduction in shareholder's funds		
Opening shareholders' funds	13,178	15,606
	<u>6,909</u>	<u>13,178</u>
Closing shareholders' funds		

**Notes** *(continued)*

**14 Ultimate parent company**

The ultimate parent company is Danfoss A/S, a company incorporated and registered in Denmark. The largest and smallest group in which the accounts are consolidated is that headed by Danfoss A/S.

Copies of the financial statements of the above company may be obtained from their registered office as follows:

Danfoss A/S  
6430 Nordborg  
Denmark