

**Danfoss Randall Limited**

**Directors' report and financial  
statements**

Registered number 2579403

31 December 2012

THURSDAY



\*L2HPN8CP\*

LD2

26/09/2013

#42

COMPANIES HOUSE

## Contents

|   |    |
|---|----|
| Directors' Report   | 1  |
| Statement of directors' responsibilities in respect of the directors' report and the financial statements | 4  |
| Independent auditor's report to the members of Danfoss Randall Limited                                    | 5  |
| Profit and loss account   | 7  |
| Balance sheet   | 8  |
| Reconciliation of Movements in Shareholder's Funds  | 9  |
| Notes to the Financial Statements   | 10 |

## **Directors' Report**

The directors present their directors' report and the audited financial statements for the year ended 31 December 2012

### **Business review and principal activity**

The Company is a wholly owned subsidiary of Danfoss Limited (formerly Danfoss Holdings UK Limited), a Company registered in the UK, which is in turn a wholly owned subsidiary of Danfoss A/S, a company registered in Denmark

The Company's principal activity is the manufacture and supply of electronic and electro-mechanical heating controls, including time controls and thermostats and thermostatically regulated valves. There have not been any significant changes in the Company's principal activity in the year under review.

As shown in the Company's profit and loss account on page 7 the Company's turnover has increased by 11% over the previous year.

Following completion of the 2009 actuarial valuation in respect of the defined benefit section of the Danfoss Holdings (UK) pension scheme, the Company agreed a new contributions schedule. Under this schedule, the Company made a contribution of £2m (2011: £2m) towards making good the shortfall revealed by the actuarial valuation. As a result, the profit before tax has decreased significantly, compared to historic periods.

The balance sheet on page 8 of the financial statements continues to show a strong position.

### **Post balance sheet event**

Subsequent to year end the entity has hived up its trade and assets into its immediate parent company, Danfoss Limited (formerly Danfoss Holding Limited). The trade of this entity will be on-going from this date in Danfoss Limited (formerly Danfoss Holding Limited).

### **Key performance indicators**

Outside of monitoring the normal costs of business with regard to headcount and cost per unit, management focus on specific key performance indicators concerning productivity, and reliability of delivery to customers.

### **Principal risks and uncertainties**

The company's activities expose it to various types of risk in the normal course of business. The following is not intended as a comprehensive summary of all risks.

#### **Currency risk**

The Company is exposed to foreign currency risk on its transactions that are denominated in currencies other than Great British Pounds. It is therefore exposed to the movement in exchange rates. This risk is partially mitigated by the Company having bank accounts in foreign currencies.

#### **Interest rate**

Interest rate risk is negligible as the Company does not maintain any external debt.

## **Directors' report** *(continued)*

### **Credit risk**

Exposure takes the form of customers who may not meet their obligation to agreed terms, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The severity of the current economic downturn has caused us to apply extra vigilance to our credit control process. Like all companies we feel increasingly exposed to bad debt risk, although to date, we have managed to avoid significant bad debts.

### **Liquidity and cash flow Risk**

As at 31 December 2012, the Company had net cash resources of £2 million (2011 £4.4 million) (including £2.1 million in a group netting account - shown within amounts owed by group undertakings (2011 £4.6 million)) and forecast positive cash flows for at least the next 12 months.

Factors which could impact on our working capital management are our ability to generate sufficient sales to new and existing customers, changes in the competitive environment of the markets in which we serve, and changes in technology.

### **Environment**

The Company is ISO 14001 compliant and recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

### **Employees**

Details of the number of employees and their related costs can be found in note 5 to the financial statements.

### **Dividends**

The directors have proposed a final ordinary dividend in respect of the current financial year of £nil (2011 £nil).

### **Political and charitable contributions**

The Company made no political contributions during the year (2011 £nil). Donations to UK charities amounted to £nil (2011 nil).

## Directors' report (*continued*)

### Directors

The directors who held office during the year were as follows

Ole Norskov Dalby (resigned 02/04/13)  
Gordon Macpherson (resigned 10/10/12)  
Kim Christensen (resigned 02/04/13)  
Nick Wanless (appointed 30/01/13)  
Kjeld Staerk (appointed 02/04/13)  
Anders Stahlschmidt (appointed 02/04/13)

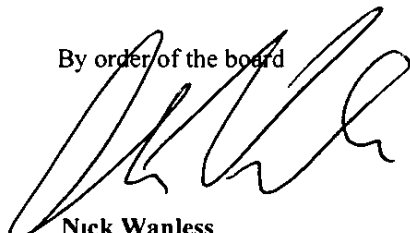
### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



Nick Wanless  
Director

22 Wycombe End  
Beaconsfield  
Buckinghamshire  
HP9 1NB

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.



**KPMG LLP**

58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE  
United Kingdom

**Independent auditor's report to the members of Danfoss Randall Limited**

We have audited the financial statements of Danfoss Randall Limited for the year ended 31 December 2012, set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Danfoss Randall Limited** *(continued)*

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Mark Matthewman** (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE

24.9.13



**Profit and loss account**  
*for the year ended 31 December 2012*

|  | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|--|-------------|----------------------------|----------------------------|
| <b>Turnover</b>                                      | <b>2</b>    | <b>38,401</b>              | 34,657                     |
| Cost of sales  |             | <b>(26,854)</b>            | (24,178)                   |
|  |             | <hr/>                      | <hr/>                      |
| <b>Gross profit</b>                                  |             | <b>11,547</b>              | 10,479                     |
| Distribution costs                                   |             | <b>(3,334)</b>             | (2,902)                    |
| Administrative expenses                              |             | <b>(7,100)</b>             | (6,450)                    |
|  |             | <hr/>                      | <hr/>                      |
| <b>Operating profit</b>                              |             | <b>1,113</b>               | 1,127                      |
| Interest receivable and similar income               | <b>6</b>    | <b>16</b>                  | 52                         |
| Interest payable and similar charges                 | <b>7</b>    | <b>(48)</b>                | (99)                       |
|  |             | <hr/>                      | <hr/>                      |
| <b>Profit on ordinary activities before taxation</b> | <b>3</b>    | <b>1,081</b>               | 1,080                      |
| Tax on profit on ordinary activities                 | <b>8</b>    | <b>12</b>                  | (363)                      |
|  |             | <hr/>                      | <hr/>                      |
| <b>Profit for the financial year</b>                 |             | <b>1,093</b>               | 717                        |
|  |             | <hr/>                      | <hr/>                      |

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

The notes on pages 10 to 20 form part of these financial statements

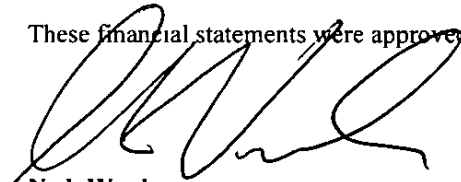
The company has no recognised gains and losses other than the profit for the year

**Balance sheet**  
*at 31 December 2012*

|   | Note | 2012<br>£000   | 2011<br>£000   |
|---|------|----------------|----------------|
| <b>Fixed assets</b>   |      |                |                |
| Tangible assets   | 10   | 1,606          | 1,441          |
| <b>Current assets</b>   |      |                |                |
| Stocks  | 11   | 6,083          | 5,440          |
| Debtors (includes £2,060,945 in relation to cash pooling arrangement (2011 £4 621 000)) | 12   | 11,522         | 13,186         |
| Cash at bank and in hand  |      | -              | -              |
|   |      | <u>17,605</u>  | <u>18,626</u>  |
| <b>Creditors' amounts falling due within one year</b>                                   | 13   | <u>(7,630)</u> | <u>(9,697)</u> |
| <b>Net current assets</b>   |      | 9,975          | 8,929          |
| <b>Total assets less current liabilities</b>  |      | <u>11,581</u>  | <u>10,370</u>  |
| <b>Provisions for liabilities and charges</b>   | 14   | <u>(155)</u>   | <u>(40)</u>    |
| <b>Net assets</b>   |      | <u>11,426</u>  | <u>10,330</u>  |
| <b>Capital and reserves</b>   |      |                |                |
| Called up share capital   | 16   | 3,600          | 3 600          |
| Profit and loss account   | 17   | 7,826          | 6,651          |
| Other reserves  | 17   | -              | 79             |
| <b>Shareholder's funds</b>  |      | <u>11,426</u>  | <u>10,330</u>  |

The notes on pages 10 to 20 form part of these financial statements

These financial statements were approved by the board of directors on 23 September 2013 and were signed on its behalf by

  
**Nick Wanless**  
Director

Company registered number 2579403

**Reconciliation of Movements in Shareholder's Funds**  
*for the year ended 31 December 2012*

|  | 2012<br>£000  | 2011<br>£000   |
|--|---------------|----------------|
| <b>Profit for the financial year</b>       | <b>1,093</b>  | <b>717</b>     |
| Charge in relation to share based payments | 3             | 15             |
| Dividend Paid                              | -             | (4,500)        |
|  | <hr/>         | <hr/>          |
| <b>Net addition to shareholder's funds</b> | <b>1,096</b>  | <b>(3,768)</b> |
| Opening shareholder's funds                | <b>10,330</b> | <b>14,098</b>  |
|  | <hr/>         | <hr/>          |
| <b>Closing shareholder's funds</b>         | <b>11,426</b> | <b>10,330</b>  |
|  | <hr/>         | <hr/>          |

## 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 FRS 1 "Cash Flow Statements" 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 FRS 8 "Related Party Disclosures" 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 21

#### ***Going concern***

The directors have assessed this company as a going concern and therefore the financial statements have been prepared on that basis. As described in the directors report Danfoss UK Ltd sold its trade and assets on 21 January 2013, for fair value. Whilst the company therefore ceased to trade at this date it continued in existence and it is the directors assessment that it has sufficient funds to meet its liabilities as these fall due

#### ***Fixed assets and depreciation***

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

|                       |              |
|-----------------------|--------------|
| Freehold buildings    | 15 years     |
| Plant and machinery   | 4 to 6 years |
| Fixtures and fittings | 2 to 6 years |
| Tools and equipment   | 2 to 6 years |
| Computer equipment    | 2 to 6 years |
| Motor vehicles        | 3 years      |

No depreciation is provided on freehold land

#### ***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

#### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and work in progress, standard cost is used. For finished goods manufactured by the Company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads and labour

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Provisions***

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### ***Pension costs***

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in a group pension scheme providing benefits based on final pensionable pay. The assets are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period. Further details are shown in note 19 of these financial statements.

#### ***Research and development***

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 FRS 19.

#### ***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Turnover is recognised upon despatch of goods and the provision of services.

#### ***Dividends on shares presented within shareholder's funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### ***Share based payments***

The share option programme allows employees to acquire shares of the ultimate parent company. The fair value of options granted after 7 November 2002 and not yet vested as at 1 January 2012 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For cash settled share based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

## Notes (continued)

### 2 Analysis of turnover

|                               | 2012<br>£000  | 2011<br>£000  |
|-------------------------------|---------------|---------------|
| <i>By geographical market</i> |               |               |
| UK                            | 32,582        | 30,190        |
| Europe and rest of the world  | 5,819         | 4,467         |
|                               | <u>38,401</u> | <u>34,657</u> |

### 3 Profit on ordinary activities before taxation

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging</i> |              |              |

|  |            |            |
|--|------------|------------|
| Depreciation and other amounts written off tangible fixed assets - owned | 309        | 275        |
| Operating leases - rentals of motor vehicles                             | 176        | 147        |
|  | <u>485</u> | <u>422</u> |

|                               | 2012<br>£000 | 2011<br>£000 |
|-------------------------------|--------------|--------------|
| <i>Auditor's remuneration</i> |              |              |

|  |           |           |
|--|-----------|-----------|
| Audit of these financial statements  | 21        | 21        |
| Amounts receivable by the auditors and their associates in respect of<br>Other services relating to taxation | 7         | 7         |
|  | <u>28</u> | <u>28</u> |

### 4 Remuneration of directors

|               | 2012<br>£000 | 2011<br>£000 |
|---------------|--------------|--------------|
| Remuneration  | 163          | 168          |
| Pension costs | 14           | 15           |
|               | <u>177</u>   | <u>183</u>   |

No Directors have any retirement benefits accruing under the defined benefit scheme (2011 one). The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £162,730 (2011 £194,230) of which £13,900 (2011 £15,100) was contributions made by the company to a defined benefit scheme.

The other directors are remunerated by group companies.

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was analysed as follows

|                     | 2012<br>Number | 2011<br>Number |
|---------------------|----------------|----------------|
| Production          | 89             | 90             |
| Administration      | 41             | 47             |
| Sales and marketing | 40             | 41             |
|                     | <u>170</u>     | <u>178</u>     |

The aggregate payroll costs of these persons were as follows

|                                    | 2012<br>£000 | 2011<br>£000 |
|------------------------------------|--------------|--------------|
| Wages and salaries                 | 5,260        | 5,096        |
| Social security costs              | 425          | 411          |
| Share based payments (see note 18) | 3            | 15           |
| Other pension costs (see note 19)  | 2,524        | 2,456        |
|                                    | <u>8,212</u> | <u>7,978</u> |

### 6 Interest receivable and similar income

|                          | 2012<br>£000 | 2011<br>£000 |
|--------------------------|--------------|--------------|
| Bank interest receivable | 16           | 52           |

### 7 Interest payable and similar charges

|                         | 2012<br>£000 | 2011<br>£000 |
|-------------------------|--------------|--------------|
| Foreign exchange losses | 48           | 99           |

## Notes (continued)

### 8 Taxation

#### Analysis of charge in period

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| <i>UK corporation tax</i>                                |              |              |
| Current tax on income for the period                     | 110          | 141          |
| Adjustments to tax charge in respect of previous periods | (364)        | (25)         |
|  | <hr/>        | <hr/>        |
| Total current tax (credit) / charge (see below)          | (254)        | 116          |
| <i>Deferred tax</i>                                      |              |              |
| Origination/reversal of timing differences               | 242          | 247          |
| Adjustments in respect of previous periods               | -            | -            |
|  | <hr/>        | <hr/>        |
| Deferred tax (see note 15)                               | 242          | 247          |
|  | <hr/>        | <hr/>        |
| Tax (credit)/charge on profit on ordinary activities     | (12)         | 363          |
|  | <hr/> <hr/>  | <hr/> <hr/>  |

The current tax charge for the period is lower (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i>                        |              |              |
| Profit for the year on ordinary activities before tax    | 1,093        | 1,080        |
|  | <hr/>        | <hr/>        |
| Current tax at 24.5% (2011 26.5%)                        | 268          | 286          |
| <i>Effects of</i>  |              |              |
| Expenses disallowed for tax purposes                     | 23           | 20           |
| Differences between capital allowances and depreciation  | (20)         | (10)         |
| Short term timing differences                            | (161)        | (155)        |
| Adjustments to tax charge in respect of previous periods | (364)        | (25)         |
|  | <hr/>        | <hr/>        |
| Total current (credit)/tax charge (see above)            | (254)        | 116          |
|  | <hr/> <hr/>  | <hr/> <hr/>  |

#### Factors affecting the tax charge in future periods

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.



## Notes (continued)

### 9 Dividends

The aggregate amount of dividends comprises

|  | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| Final dividends paid in respect of prior year but not recognised as liabilities in that year | -                          | 4,500                      |

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is £nil (2011 £nil)

### 10 Tangible fixed assets

|                       | <b>Freehold<br/>land and<br/>buildings<br/>£000</b> | <b>Plant<br/>and<br/>machinery<br/>£000</b> | <b>Fixtures<br/>and<br/>fittings<br/>£000</b> | <b>Tools<br/>and<br/>equipment<br/>£000</b> | <b>Computer<br/>Equipment<br/>£000</b> | <b>Motor<br/>Vehicles<br/>£000</b> | <b>Total<br/>£000</b> |
|-----------------------|---|---|---|---|--|------------------------------------|-----------------------|
| <b>Cost</b>           |   |   |   |   |  |                                    |                       |
| At 1 January 2012     | 1,546   | 4,084                                       | 329   | 950   | 28                                     | 38                                 | 6,975                 |
| Additions             | -   | 433   | 41  | -   | -                                      | -                                  | 474                   |
| Disposals             | -   | (778)                                       | (2)   | (185)                                       | (1)                                    | (27)                               | (993)                 |
| At 31 December 2012   | 1,546   | 3,739                                       | 368   | 765   | 27                                     | 11                                 | 6,456                 |
| <b>Depreciation</b>   |   |   |   |   |  |                                    |                       |
| At 1 January 2012     | 1,022   | 3,267                                       | 240   | 939   | 28                                     | 38                                 | 5,534                 |
| Disposals             | -   | (778)                                       | (2)   | (185)                                       | (1)                                    | (27)                               | (993)                 |
| Charge for the year   | 4   | 275   | 24  | 6   | -                                      | -                                  | 309                   |
| At 31 December 2012   | 1,009   | 2,781                                       | 262   | 760   | 27                                     | 11                                 | 4,850                 |
| <b>Net book value</b> |   |   |   |   |  |                                    |                       |
| At 31 December 2012   | 537   | 958   | 106   | 5   | -                                      | -                                  | 1,606                 |
| At 31 December 2011   | 524   | 817   | 89  | 11  | -                                      | -                                  | 1,441                 |

Freehold land and buildings at 31 December 2012 includes land at a cost of £500,000 (2011 £500,000) which is not depreciated

## Notes (continued)

### 11 Stocks

|                                     | 2012<br>£000 | 2011<br>£000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables       | 3,823        | 3,097        |
| Finished goods and goods for resale | 2,260        | 2,343        |
|                                     | <u>6,083</u> | <u>5,440</u> |

### 12 Debtors

|   | 2012<br>£000  | 2011<br>£000  |
|---|---------------|---------------|
| Trade debtors   | 7,378         | 5,612         |
| Amounts owed by group undertakings                            | 2,077         | 2,771         |
| Amounts owed by group undertakings – cash pooling arrangement | 2,061         | 4,621         |
| Deferred tax asset (see note 15)                              | -             | 177           |
| Prepayments and accrued income                                | 6             | 5             |
|   | <u>11,522</u> | <u>13,186</u> |

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

|                                    | 2012<br>£000 | 2011<br>£000 |
|------------------------------------|--------------|--------------|
| Trade creditors                    | 1,464        | 2,023        |
| Amounts owed to group undertakings | 2,416        | 4,468        |
| Corporation tax                    | 110          | 109          |
| Other taxes and social security    | 140          | 674          |
| Accruals and deferred income       | 3,370        | 2,154        |
| Bank overdrafts                    | 130          | 269          |
|                                    | <u>7,630</u> | <u>9,697</u> |

## Notes (continued)

### 14 Provisions for liabilities and charges

|                                | Deferred<br>Taxation<br>£000 | Warranty<br>provision<br>£000 | Total<br>provision<br>£000 |
|--------------------------------|------------------------------|-------------------------------|----------------------------|
| At 1 January 2012              | -                            | 40                            | 40                         |
| Utilised during the year       | -                            | (40)                          | (40)                       |
| Charged in the year            | -                            | 90                            | 90                         |
| Movement during year (note 15) | 65                           | -                             | 65                         |
|                                | <hr/>                        | <hr/>                         | <hr/>                      |
| <b>At 31 December 2012</b>     | <b>65</b>                    | <b>90</b>                     | <b>155</b>                 |
|                                | <hr/> <hr/>                  | <hr/> <hr/>                   | <hr/> <hr/>                |

### 15 Deferred tax (liability) / asset

The elements of deferred taxation are as follows

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Difference between accumulated depreciation and capital allowances | (65)         | (5)          |
| Short term timing differences                                      | -            | 182          |
|  | <hr/>        | <hr/>        |
| <b>Deferred tax (liability) / asset</b>                            | <b>(65)</b>  | <b>177</b>   |
|  | <hr/> <hr/>  | <hr/> <hr/>  |

### 16 Called up share capital

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| <i>Authorised, allotted, called up and fully paid</i> |              |              |
| 3,600,000 ordinary shares of £1 each                  | 3,600        | 3,600        |
|   | <hr/>        | <hr/>        |
| Shares classified in shareholder's funds              | 3,600        | 3,600        |
|   | <hr/> <hr/>  | <hr/> <hr/>  |

## Notes (continued)

### 17 Reserves

|  | Other<br>reserves | Profit<br>and loss<br>account |
|--|-------------------|-------------------------------|
|  | £000              | £000                          |
| At beginning of year                                     | 79                | 6,651                         |
| Profit for the year                                      | -                 | 1,093                         |
| Charge in relation to share based payments (see note 18) | 3                 | -                             |
| Transfer of reserve                                      | (82)              | 82                            |
| Dividend paid in year                                    | -                 | -                             |
|  | <hr/>             | <hr/>                         |
| <b>At end of year</b>                                    | <b>-</b>          | <b>7,826</b>                  |
|  | <hr/>             | <hr/>                         |

### 18 Share based payments

In 2007, Danfoss A/S established a 2007 share option programme for certain executive employees in the group which allow warrants to be granted if specific performance goals are achieved. One of the directors was granted 225 share warrants in 2007. As these are equity settled transactions, the cost of the options is spread over the vesting period of 52 months from the grant date. The fair value of the options was DKK 895. There was no charge during the year (2011: £3,000). All of these options were exercised at the beginning of the year.

Danfoss A/S established a 2009 share option programme in 2009 for certain executive employees of the group. Under this programme, warrants can be granted if specific performance goals were achieved. One of the directors was granted 550 share warrants in 2009. These share warrants were all exercised during the year at a price of DKK1,100.

As these are equity settled transactions, the cost of the options is spread over the vesting period of 30 months from the grant date. The fair value of the options was DKK 365 generating a charge of £3,000 (2011: £12,000).

The total charge for the share options in the year is thus £3,000 giving cumulative reserves of £64,000. All of the share options were exercised during the year and the cumulative reserve of £82,000 was released to the Profit and Loss reserve (see note 17).

## Notes (continued)

### 19 Pension scheme

#### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £414,000 (2011 £339,000). The Company paid contributions in accordance with the Scheme rules in respect of members of the defined contribution section.

Contributions amounting to £Nil (2011 £34,000) were payable to the scheme and are included in creditors.

#### *Defined benefit pension scheme*

The Company participated in the Danfoss Holdings (UK) Pension Scheme ("the Scheme") until 31 December 2012. The Scheme has a defined benefit section, which provides benefits based upon pensionable pay and pensionable service completed with the Company to 31 December 2010, and a defined contribution section. Following closure of the defined benefit section to future accrual, its members joined the defined contribution section from 1 January 2011. The assets of the Scheme are held separately from those of the participating companies. The Company is unable to identify its share of the scheme assets and liabilities as it is exposed to actuarial risks associated with current and former employees of other companies participating in the Scheme.

For pension schemes such as the Danfoss Holdings (UK) Pension Scheme, Financial Reporting Standard 17 Retirement Benefits, requires the Company to account for pension costs in these financial statements as if the Scheme were a defined contribution scheme.

The Company pays contributions to the defined benefit section determined on the advice of the Scheme actuary. An actuarial valuation was carried out as at 31 March 2012 and the most significant assumptions were:

#### Rate of interest

|   |         |
|---|---------|
| Pre-retirement  | 5.4% pa |
| Post-retirement                                       | 3.5% pa |
| Rate of increase in salaries                          | 5.0% pa |
| Rate of price inflation (RPI)                         | 3.5% pa |
| Rate of price inflation (CPI)                         | 3.0% pa |
| Rate of pension increases                             |         |
| Benefits built up prior to 1 <sup>st</sup> April 2006 | 3.4% pa |
| Benefits built up after 31 <sup>st</sup> March 2006   | 2.3% pa |

As at 31 March 2012, the market value of the Scheme's assets amounted to £63.8m. Based on the assumptions adopted, there was a shortfall of £31.0m compared to the Scheme's technical provisions at the valuation date.

The pension cost for the Company during the year to 31 December 2012 is equal to the contributions paid of £2,120,000 (2011 £2,126,000). During the period from 1 January 2012 to 31 December 2012, the Company made a contribution of £2.0m towards making good the shortfall revealed by the 2012 actuarial valuation. Additionally, the Company credited £120,000 towards the expenses of administering the Scheme.

The Company paid contributions in accordance with the Scheme rules in respect of members of the defined contribution section.

Following the Company's cessation as a participating employer on 31 December 2012, it no longer has any liability to contribute to the Scheme.

## Notes (continued)

### 20 Commitments

Annual commitments under non-cancellable operating leases are as follows

|  | 2012<br>£000 | Other | 2011<br>£000 |
|--|--------------|-------|--------------|
| Operating leases which expire          |              |       |              |
| Within one year                        | 8            |       | 134          |
| In the second to fifth years inclusive | 138          |       | 182          |
|  | <u>146</u>   |       | <u>316</u>   |

### 21 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The immediate parent company is Danfoss Limited (formerly Danfoss Holding UK Limited), a company incorporated in Great Britain and registered in England and Wales

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 companies may be obtained from their registered offices as follows

Danfoss Limited (formerly Danfoss Holding UK Limited)  
Capswood  
Oxford Road  
Denham  
Bucks  
UB9 4LH

Danfoss A/S  
6430 Nordborg  
Denmark

### 22 Post balance sheet event

Subsequent to year end the entity hived up its trade and assets into its immediate parent company, Danfoss Limited (formerly Danfoss Holding Limited). The trade of this entity will be on-going from this date in Danfoss Limited (formerly Danfoss Holding Limited)