

**Danfoss Randall Limited**

**Directors' report and financial  
statements**

Registered number 2579403

31 December 2006

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## Directors' Report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2006

### Business review and principal activities

The Company is a wholly owned subsidiary of 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 activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the Company's profit and loss account on page 6 the Company's turnover has increased by 11% over the previous year, and the profit before tax has improved by 6.7%.

The balance sheet on page 7 of the financial statements continues to show a strong position.

There have been no significant events since the balance sheet date which require disclosure.

### Principal risks and uncertainties

There is much press commenting on the risks to business generally from cheaper imports coming in from the Far East. Our firm view is that providing Danfoss Randall can remain competitive with products that come from the Far East we will remain competitive in the UK. About 50% of what we sell in the UK is produced here in Bedford. Almost all of the remaining 50% is produced in other Danfoss factories in Denmark. The way for us to remain competitive is to automate as much as possible. There are lots of benefits to producing in the UK in the same way that there are many risks in dealing with the Far East. If production is based in the Far East, you can't react as quickly to any changes in demand. We believe this is where our strength lies. Danfoss Randall is buying components on the world market, in volumes that are equal to just about any other in the field. Providing our labour costs can be kept relatively low as a percentage of the finished product cost, there is no need to fear competition from the Far East. Risk is always present, but the Company manages this risk by providing a wide range of high quality innovative products, ensuring fast response times not only in supplying products, but in handling all customer queries and by maintaining strong relationships with customers.

### 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 on page 12.

### Dividends

Dividends paid during the year comprise a final dividend of £2,500,000 in respect of the previous year ended 31 December 2005. The directors have proposed a final ordinary dividend in respect of the current financial year of £2,500,000. This has not been included in creditors as it was not approved before the year end.

## Directors' report *(continued)*

### Political and charitable contributions

The Company made no political contributions during the year (2005 *nil*) Donations to UK charities amounted to £2,140 (2005 £2,000)

### 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

### Directors and directors' interests

The directors who held office during the year were as follows

Mogens Terp Paulsen  
Ole Norskov Dalby  
Gordon Macpherson

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below

	Number of options granted	Number of options exercised
Gordon Macpherson	300	-

### 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

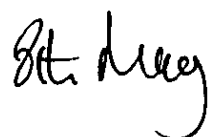
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



MA Boden  
Secretary

Amphill Road  
Bedford  
MK42 9ER

 2007

## **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.

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**KPMG LLP**

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

**Independent auditors' report to the members of Danfoss Randall Limited**

We have audited the financial statements of Danfoss Randall Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Independent auditors' report to the members of Danfoss Randall Limited**  
*(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

11/5/07

**KPMG LLP**

*Chartered Accountants*

*Registered Auditor*

**Profit and loss account**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>30,558</b>	<b>27,529</b>
Cost of sales		(18,997)	(16,752)
<b>Gross profit</b>		<b>11,561</b>	<b>10,777</b>
Distribution costs		(3,004)	(2,448)
Administrative expenses		(4,153)	(4,181)
<b>Operating profit</b>		<b>4,404</b>	<b>4,148</b>
Interest receivable and similar income	<b>6</b>	117	93
<b>Profit on ordinary activities before taxation</b>	<b>2-6</b>	<b>4,521</b>	<b>4,241</b>
Tax on profit on ordinary activities	<b>7</b>	(1,225)	(1,078)
<b>Profit for the financial year</b>		<b>3,296</b>	<b>3,163</b>

The profit for the year is derived from continuing activities

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



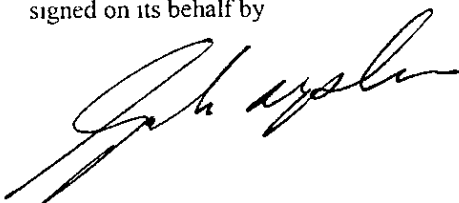
**Balance sheet**  
*at 31 December 2006*

	<i>Note</i>	2006 £000	2005 £000
<b>Fixed assets</b>			
Tangible assets	9	1,597	1,019
<b>Current assets</b>			
Stocks	10	2,363	1,976
Debtors	11	10,178	9,383
Cash at bank and in hand		804	540
		<u>13,345</u>	<u>11,899</u>
<b>Creditors</b> amounts falling due within one year	12	<u>(6,959)</u>	<u>(5,736)</u>
<b>Net current assets</b>		<u>6,386</u>	<u>6,163</u>
<b>Total assets less current liabilities</b>		<u>7,983</u>	<u>7,182</u>
<b>Provisions for liabilities and charges</b>	13	<u>(25)</u>	<u>(25)</u>
<b>Net assets</b>		<u>7,958</u>	<u>7,157</u>
<b>Capital and reserves</b>			
Called up share capital	15	3,600	3,600
Profit and loss account	16	4,353	3,557
Other reserves	16	5	-
<b>Shareholders' funds</b>		<u>7,958</u>	<u>7,157</u>

These financial statements were approved by the board of directors on  
signed on its behalf by

*St. May*

2007 and were



**G Macpherson**  
*Director*

**Reconciliation of Movements in Shareholders' Funds**  
*for the year ended 31 December 2006*

	2006 £000	2005 £000
<b>Profit for the financial year</b>	3,296	3,163
Dividends on shares classified in shareholders' funds	(2,500)	(2,525)
	<hr/>	<hr/>
Retained profit	796	638
Charge in relation to share based payments	5	-
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	801	638
Opening shareholders' funds	7,157	6,519
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	7,958	7,157
	<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. In these financial statements, FRS 20 'Share-based payments' has been adopted for the first time.

#### ***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 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 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 21.

#### ***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, fittings and other 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***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. 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)

#### *Pension costs*

The company 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 18 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 Financial Reporting Standard 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 shareholders' 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 those not yet vested as at 1 January 2006 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**

	2006 £000	2005 £000
<i>By geographical market</i>		
UK	26,296	24,019
Europe and rest of the world	4,262	3,510
	<u>30,558</u>	<u>27,529</u>

**3 Profit on ordinary activities before taxation**

	2006 £000	2005 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets - owned	217	304
Profit on disposal of fixed assets	-	(1)
Operating leases - rentals of motor vehicles	140	81
	<u>217</u>	<u>304</u>

	2006 £000	2005 £000
<i>Auditors' remuneration</i>		
Audit of these financial statements	26	28
Amounts receivable by the auditors and their associates in respect of Other services relating to taxation	10	10
	<u>26</u>	<u>28</u>

**4 Remuneration of directors**

	2006 £000	2005 £000
Remuneration	134	171
Pension costs	31	36
	<u>165</u>	<u>207</u>

Retirement benefits are accruing to one director under the defined benefit scheme (2005 one) No director exercised share options during the year (2005 one)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £134,000 (2005 £103,000)

## 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

	2006 Number	2005 Number
Production	137	138
Administration	51	47
Sales and marketing	39	40
	<u>227</u>	<u>225</u>

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	4,935	4,737
Social security costs	404	387
Share based payments (see note 17)	5	-
Other pension costs (see note 18)	735	1,037
	<u>6,079</u>	<u>6,161</u>

### 6 Interest receivable and similar income

	2006 £000	2005 £000
Bank interest	<u>117</u>	<u>93</u>

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax on income for the period	1,222	1,365
Adjustments in respect of prior periods	(94)	-
	<hr/>	<hr/>
Total current tax charge (see below)	1,128	1,365
Deferred tax (see note 14)	97	(287)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>1,225</u>	<u>1,078</u>

The current tax charge for the period is lower (2005 higher) than the standard rate of corporation tax in the UK of 30% (2005 30%). The differences are explained below

#### Current tax reconciliation

	2006 £000	2005 £000
Profit for the year on ordinary activities before tax	4,521	4,241
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	1,356	1,272
Expenses disallowed for tax purposes	12	21
Capital allowances for period in excess of depreciation	(59)	(18)
Short term timing differences	(87)	90
Adjustments to tax charge in respect of previous periods	(94)	-
	<hr/>	<hr/>
Total current tax charge (see above)	<u>1,128</u>	<u>1,365</u>

The recently announced change in corporation tax rate from 30% to 28% on 1 April 2008 and the gradual phasing out of certain capital allowances has not yet been enacted by the House of Commons. Once this is enacted, this change will have a significant effect for the purposes of the current and deferred tax calculations.

### 8 Dividends

The aggregate amount of dividends comprises

	2006 £000	2005 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	<u>2,500</u>	<u>2,525</u>

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is nil (2005 £nil)

## Notes (continued)

### 9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Tools and equipment	Computer equipment	Motor vehicles	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost</b>								
At 1 January 2006	1,486	2,128	121	741	28	27	83	4,614
Additions	61	577	28	15	-	-	114	795
Transfers	-	79	49	69	-	-	(197)	-
At 31 December 2006	1,547	2,784	198	825	28	27	-	5,409
<b>Depreciation</b>								
At 1 January 2006	986	1,786	41	731	24	27	-	3,595
Charge for the year	5	153	28	31	1	-	-	217
At 31 December 2006	991	1,939	69	761	25	27	-	3,812
<b>Net book value</b>								
At 31 December 2006	556	845	129	64	3	-	-	1,597
At 31 December 2005	500	342	80	10	4	-	83	1,019

Freehold land and buildings at 31 December 2006 includes land at a cost of £500,000 (2005 £500,000) which is not depreciated



## Notes (continued)

### 10 Stocks

	2006 £000	2005 £000
Raw materials and consumables	1,055	773
Work in progress	18	13
Finished goods and goods for resale	1,290	1,190
	<u>2,363</u>	<u>1,976</u>

### 11 Debtors

	2006 £000	2005 £000
Trade debtors	6,427	5,577
Amounts owed by group undertakings	3,525	3,462
Deferred tax asset (see note 14)	190	287
Prepayments and accrued income	36	57
	<u>10,178</u>	<u>9,383</u>

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

	2006 £000	2005 £000
Trade creditors	1,296	1,253
Amounts owed to group undertakings	2,088	1,395
Corporation tax	509	705
Other taxes and social security	1,264	1,056
Accruals and deferred income	1,802	1,327
	<u>6,959</u>	<u>5,736</u>

## Notes (continued)

### 13 Provisions for liabilities and charges

	Warranty provision £000
At 1 January 2006	25
Utilised during the year	(85)
Charged in the year	85
	<hr/>
At 31 December 2006	25
	<hr/>

### 14 Deferred tax

The elements of deferred taxation are as follows

	2006 £000	2005 £000
Difference between accumulated depreciation and capital allowances	166	172
Short term timing differences	24	115
	<hr/>	<hr/>
	190	287
	<hr/>	<hr/>

### 15 Called up share capital

	2006 £000	2005 £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 shareholders' funds	3,600	3,600
	<hr/>	<hr/>

## Notes (continued)

### 16 Reserves

	Other reserves	Profit and loss account
	£000	£000
At beginning of year	-	3,557
Profit for the year	-	3,296
Dividends on shares classified in shareholders' funds	-	(2,500)
Charge in relation to share based payments (see note 17)	5	-
	<hr/>	<hr/>
<b>At end of year</b>	<b>5</b>	<b>4,353</b>
	<hr/>	<hr/>

### 17 Share based payments

In 2004 at the ultimate parent company's annual shareholder's meeting of the Board, certain executives and senior managers received the right to be awarded shares in a new equity compensation programme. This programme is limited to the period 2005 to 2007. Approximately 2/3 of these options/warrants were awarded in 2005 (1<sup>st</sup> tranche) and 2006 (2<sup>nd</sup> tranche). The principal criterion for receiving options/warrants of the 3<sup>rd</sup> tranche is that RONA (Return on Net Assets) for a given year is above a certain minimum target. In 2007 RONA exceeded the defined target.

The awarded options and warrants grant the right to buy and subscribe to, respectively, B-shares (of 100 DKK) not earlier than 3 years after the options or warrants are granted to certain fixed exercise prices. The exercise prices are determined as the latest published share price less 15%. The latest date for utilisation of the options/warrants awarded in 2005 (1<sup>st</sup> tranche) is 21 May 2015. For the options or warrants granted in the last tranche (3<sup>rd</sup> tranche), the latest date for utilisation is 21 May 2017. The options and warrants can only be exercised in return for Danfoss shares.

On 31 August 2006, one of the directors was granted 300 share warrants which give him the possibility to subscribe for 300 Danfoss A/S B-shares DKK each in the subscription period 1 May 2010 to 1 May 2017. The share warrants do not vest until April 2007 as the grant was provided that the Danfoss Group RONA for 2006 was higher or equal to 13%.

As these are equity settled transactions, the cost of the options is spread over the period from the grant date of 31 August 2006 to 1 May 2010. The fair value of the options at grant date was DKK 1,791. These have been converted at the rate at the balance sheet of £1 DKK 8.99.

## Notes (continued)

### 18 Pension Scheme

The company participates in the Danfoss Holdings (UK) Pension Scheme (the Scheme). The Scheme has a defined benefit section, which provides benefits based upon pensionable pay and pensionable service completed with the Company, and a defined contribution section. 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 No. 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's actuary using the projected unit method of valuation. An actuarial valuation was carried out as at 31 March 2006 and the most significant assumptions were -

-	Rate of interest	
	Pre-retirement	6.65% pa
	Post retirement	5.50% pa
-	Rate of increase in salaries	4.60% pa
-	Rate of price inflation	3.10% pa
	Rate of increase in pensions in payment	
	Benefits built up prior to 1 <sup>st</sup> April 2006	3.10% pa
	Benefits built up after 31 <sup>st</sup> March 2006	2.20%

At 31 March 2006 the market value of the Scheme's assets in the defined benefit section amounted to £48.3m. Based on the above assumptions, there was a shortfall of £1.8m compared to the Scheme's technical provisions at the valuation date.

The pension cost for the Company in the year to 31 December 2006 is equal to the contribution paid of £735,000 (2005: £1,037,000). During this period, in respect of members of the defined benefit section, the Company contributed at a rate of 21.8% of pensionable salaries plus, for the three months to 31 March 2006, a further 4% of pensionable salaries in respect of members joining that section on or after 1 January 2003. The Company paid contributions in accordance with the Scheme rules in respect of members of the defined contribution section.

Following the actuarial valuation of the Scheme as at 31 March 2006 the Company's contribution rate to the defined benefit section changed to 20.2% from 1 January 2007, subject to review at the next actuarial valuation. This rate includes an additional 8.4% of pensionable salaries in order to help make good the shortfall revealed by the actuarial valuation.

## Notes (continued)

### 20 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2006 £000	Other	2005 £000
Operating leases which expire			
Within one year	24		13
In the second to fifth years inclusive	119		109
	<hr/> 143 <hr/>		<hr/> 122 <hr/>

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

The immediate parent company is 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 Holding UK Limited  
 Capswood  
 Oxford Road  
 Denham  
 Bucks  
 UB9 4LH

Danfoss A/S  
 6430 Nordborg  
 Denmark