

Danfoss Randall Limited

**Directors' report and financial
statements**

Registered number 2579403

31 December 2011

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Directors' Report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2011

Business review and principal activity

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 activity 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 activity in the next year.

As shown in the Company's profit and loss account on page 6 the Company's turnover has increased by 0.3% over the previous year, and the profit before tax has decreased by 28.9%.

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 £2.0m (2010: £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 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.

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

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.

Additionally 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.

Directors' report *(continued)*

Interest rate

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

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 during 2010. 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 2011, the Company had net cash resources of £4.4 million (2010 £12.0 million) (including £4.6 million in a group netting account - shown within amounts owed by group undertakings (2010 £12.1 million)) and forecast positive cash flows for at least the next 12 months. As a result, we believe our exposure is limited in the short term.

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 (2010 £4,500,000).

Political and charitable contributions

The Company made no political contributions during the year (2010 £nil). Donations to UK charities amounted to £nil (2010 £601).

Directors

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

Ole Norskov Dalby
Gordon Macpherson
Kim Christensen

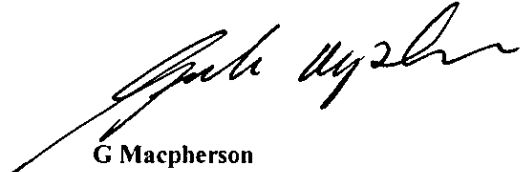
Disclosure of information to auditors

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



G Macpherson
Director

26 September 2012

Amphill Road
Bedford
MK42 9ER

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 2011, set out on pages 6 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2011 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.

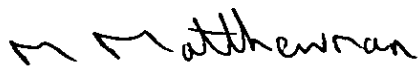
Opinion on other matter prescribed by the Companies Act 2006

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.

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



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

Chartered Accountants
58 Clarendon Road
Watford
Hertfordshire
WD17 1DE

26 September 2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	34,657	34,560
Cost of sales		(24,178)	(23,547)
		<hr/>	<hr/>
Gross profit		10,479	11,013
Distribution costs		(2,902)	(3,169)
Administrative expenses		(6,450)	(6,378)
		<hr/>	<hr/>
Operating profit		1,127	1,466
Interest receivable and similar income	6	52	64
Interest payable and similar charges	7	(99)	(11)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	1,080	1,519
Tax on profit on ordinary activities	8	(363)	(969)
		<hr/>	<hr/>
Profit for the financial year		717	550
		<hr/> <hr/>	<hr/> <hr/>

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

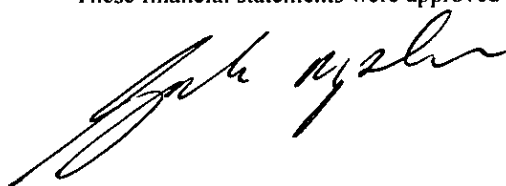
The notes on pages 10 to 20 form part of these financial statements

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

Balance sheet
at 31 December 2011

	Note	2011 £000	2010 £000
Fixed assets			
Tangible assets	10	1,441	1,638
Current assets			
Stocks	11	5,440	3,843
Debtors (includes £4,621 in relation to cash pooling arrangement (2010 £12,096,00))	12	13,186	19,274
Cash at bank and in hand		-	-
		<hr/>	<hr/>
Creditors amounts falling due within one year	13	18,626 (9,697)	23,117 (10,617)
		<hr/>	<hr/>
Net current assets		8,929	12,500
		<hr/>	<hr/>
Total assets less current liabilities		10,370	14,138
		<hr/>	<hr/>
Provisions for liabilities and charges	14	(40)	(40)
		<hr/>	<hr/>
Net assets		10,330	14,098
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	3,600	3,600
Profit and loss account	17	6,651	10,434
Other reserves	17	79	64
		<hr/>	<hr/>
Shareholder's funds		10,330	14,098
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 26 September 2012 and were signed on its behalf by



G Macpherson
Director

Company registered number 2579403

Reconciliation of Movements in Shareholder's Funds
for the year ended 31 December 2011

	2011 £000	2010 £000
Profit for the financial year	717	550
Charge in relation to share based payments	15	20
Dividend Paid	(4,500)	-
	<hr/>	<hr/>
Net addition to shareholder's funds	(3,768)	570
Opening shareholder's funds	14,098	13,528
	<hr/>	<hr/>
Closing shareholder's funds	10,330	14,098
	<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

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 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

	2011 £000	2010 £000
<i>By geographical market</i>		
UK	30,190	31,028
Europe and rest of the world	4,467	3,532
	<u>34,657</u>	<u>34,560</u>

3 Profit on ordinary activities before taxation

	2011 £000	2010 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets - owned	275	340
Operating leases - rentals of motor vehicles	147	159
	<u>422</u>	<u>499</u>

	2011 £000	2010 £000
<i>Auditor's remuneration</i>		
Audit of these financial statements	21	21
Amounts receivable by the auditors and their associates in respect of Other services relating to taxation	7	10
	<u>28</u>	<u>31</u>

4 Remuneration of directors

	2011 £000	2010 £000
Remuneration	168	178
Pension costs	15	37
	<u>183</u>	<u>215</u>

Retirement benefits are accruing to one director under the defined benefit scheme (2010 one). No director exercised share options during the year (2010 nil). The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £194,230 (2010 £178,000) of which £15,100 (2010 £37,000) 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

	2011 Number	2010 Number
Production	90	88
Administration	47	39
Sales and marketing	41	44
	<u>178</u>	<u>171</u>

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	5,096	4,993
Social security costs	411	382
Share based payments (see note 18)	15	20
Other pension costs (see note 19)	2,456	2,612
	<u>7,978</u>	<u>8,007</u>

6 Interest receivable and similar income

	2011 £000	2010 £000
Bank interest receivable	<u>52</u>	<u>64</u>

7 Interest payable and similar charges

	2011 £000	2010 £000
Foreign exchange losses	<u>99</u>	<u>11</u>

Notes (continued)

8 Taxation

Analysis of charge in period

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	141	824
Adjustments to tax charge in respect of previous periods	(25)	488
	<hr/>	<hr/>
Total current tax charge (see below)	116	1,312
<i>Deferred tax</i>		
Origination/reversal of timing differences	247	(334)
Adjustments in respect of previous periods	-	(9)
	<hr/>	<hr/>
Deferred tax (see note 15)	247	(343)
	<hr/>	<hr/>
Tax on profit on ordinary activities	363	969
	<hr/>	<hr/>

The current tax charge for the period is lower (2010 higher) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Profit for the year on ordinary activities before tax	1,080	1,519
	<hr/>	<hr/>
Current tax at 26.5% (2010 28%)	286	425
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses disallowed for tax purposes	20	47
Differences between capital allowances and depreciation	(10)	(20)
Short term timing differences	(155)	372
Adjustments to tax charge in respect of previous periods	(25)	488
	<hr/>	<hr/>
Total current tax charge (see above)	116	1,312
	<hr/>	<hr/>

Factors affecting the tax charge in future periods

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the 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 and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date).

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises

	2011 £000	2010 £000
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 (2010 £nil)

10 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Tools and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost							
At 1 January 2011	1,546	3,996	329	960	28	38	6,897
Additions	-	88	-	-	-	-	88
Disposals	-	-	-	(10)	-	-	-
At 31 December 2011	1,546	4,084	329	950	28	38	6,975
Depreciation							
At 1 January 2011	1,016	3,027	213	937	28	38	5,259
Disposals	-	-	-	-	-	-	-
Change for the year	6	240	27	2	-	-	275
At 31 December 2011	1,022	3,267	240	939	28	38	5,534
Net book value							
At 31 December 2011	524	817	89	11	-	-	1,441
At 31 December 2010	530	969	116	23	-	-	1,638

Freehold land and buildings at 31 December 2011 includes land at a cost of £500,000 (2010 £500,000) which is not depreciated

Notes (continued)

11 Stocks

	2011 £000	2010 £000
Raw materials and consumables	3,097	2 233
Finished goods and goods for resale	2,343	1,610
	<u>5,440</u>	<u>3,843</u>

12 Debtors

	2011 £000	2010 £000
Trade debtors	5,672	6,191
Amounts owed by group undertakings	2,771	558
Amounts owed by group undertakings – cash pooling arrangement	4,621	12,096
Deferred tax asset (see note 15)	177	424
Prepayments and accrued income	5	5
	<u>13,186</u>	<u>19,274</u>

13 Creditors, amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	2,023	1,200
Amounts owed to group undertakings	4,468	5,655
Corporation tax	109	193
Other taxes and social security	674	1,056
Accruals and deferred income	2,154	2,405
Bank overdrafts	269	108
	<u>9,697</u>	<u>10,617</u>

Notes (continued)

14 Provisions for liabilities and charges

	Warranty provision £000
At 1 January 2011	40
Utilised during the year	(171)
Charged in the year	171
	<hr/>
At 31 December 2011	40
	<hr/>

15 Deferred tax asset

The elements of deferred taxation are as follows

	2011 £000	2010 £000
Difference between accumulated depreciation and capital allowances	(5)	36
Short term timing differences	182	388
	<hr/>	<hr/>
Undiscounted deferred tax asset	177	424
	<hr/>	<hr/>

16 Called up share capital

	2011 £000	2010 £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/>

Notes (continued)

17 Reserves

	Other reserves	Profit and loss account
	£000	£000
At beginning of year	64	10,434
Profit for the year	-	717
Charge in relation to share based payments (see note 18)	15	-
Dividend paid in year	-	(4,500)
	<hr/>	<hr/>
At end of year	79	6,651
	<hr/>	<hr/>

18 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 (1st tranche) and 2006 (2nd tranche). The principal criterion for receiving options/warrants of the 3rd 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 (1st tranche) is 21 May 2015. For the options or warrants granted in the last tranche (3rd 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 gives 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. 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 was DKK NIL (2010 DKK 983) generating a charge for the year of £-, (2010 £2,500).

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 generating a charge of £3,000 for 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. 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 £12,000.

The total charge for the 1,075 share warrants in the year is thus £20,000 giving cumulative reserves of £64,000. These options have been converted at the average rate for the year of £1 DKK 8.56.

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 £339,000 (2010 £178,000). The Company paid contributions in accordance with the Scheme rules in respect of members of the defined contribution section.

Contributions amounting to £34,000 (2010 £16,000) were payable to the scheme and are included in creditors.

Defined benefit 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 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, FRS 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 2009 and the most significant assumptions were:

Rate of interest

Pre-retirement	7.0% pa
Post-retirement	5.0% pa

Rate of increase in salaries 5.0% pa

Rate of price inflation (RPI) 3.5% pa

Rate of pension increases

Benefits built up prior to 1 st April 2006	3.4% pa
Benefits built up after 31 st March 2006	2.3% pa

As at 31st March 2009, the market value of the Scheme's assets amounted to £38.8m. Based on these assumptions, there was a shortfall of £26.4m compared to the Scheme's technical provisions at the valuation date.

The pension cost for the Company during the year to 31 December 2011 is equal to the contributions paid of £2,126,000 (2010 £2,434,000). During the period from 1 January 2011 to 31 December 2011, the Company made a contribution of £2.0m towards making good the shortfall revealed by the 2009 actuarial valuation. Following completion of the 2009 actuarial valuation, the Company agreed a new contributions schedule. Under this schedule, the Company made a contribution of £2.0m towards making good the shortfall revealed by the 2009 actuarial valuation. Additionally, the Company made regular monthly contributions of £10,000 per month towards the expenses of administering the Scheme.

The next actuarial valuation of the Scheme will take place as at 31 March 2012. The level of contributions payable by the Company will be reviewed as part of the valuation.

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

Notes (continued)

20 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 £000	Other	2010 £000
Operating leases which expire			
Within one year	134		42
In the second to fifth years inclusive	182		70
	<hr/> 316 <hr/>		<hr/> 112 <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