

Danfoss Randall Limited

**Strategic report, directors' report
and financial statements**
Registered number 2579403
31 December 2013

FRIDAY



L3G8Y80Z

LD4

12/09/2014

#117

COMPANIES HOUSE

Contents

| | |
|---|---|
| Strategic Report | 1 |
| Directors' Report | 2 |
| Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements | 3 |
| Independent auditor's report to the members of Danfoss Randall Limited | 4 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Reconciliation of Movements in Shareholder's Funds | 8 |
| Notes | 9 |

Strategic Report

The directors present their strategic report, directors' report and the audited financial statements for the year ended 31 December 2013.

Business review and principal activity

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

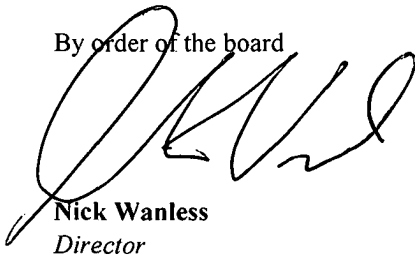
In the previous year, the Company's principal activity was the manufacture and supply of electronic and electro-mechanical heating controls, including time controls and thermostats and thermostatically regulated valves. On 1st January 2013 the trade and assets were acquired by the companies parent Danfoss Limited. The entity did not trade in the year under review. The trade will continue within Danfoss Limited, as per prior years.

The balance sheet on page 7 of the financial statements shows the remaining intercompany debtor and share capital retained within the entity.

Liquidity and cash flow risk

As at 31 December 2013 the Company had cash resources of £nil and forecast positive cash flows for at least the next 12 months.

By order of the board



Nick Wanless
Director

10/9/2014
22 Wycombe End, Beaconsfield
Buckinghamshire, HP9 1NB

Directors' Report

Dividends

The directors have proposed a final ordinary dividend in respect of the current financial year of £nil (2012: £nil).

Political contributions

The Company made no political contributions during the year (2012: £nil).

Directors

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

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

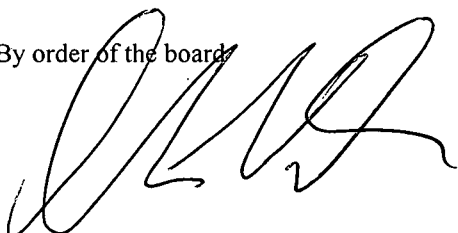
Disclosure of information to auditors

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

The directors expect that KPMG will resign as auditors following the approval of these accounts, and that PwC will be appointed to fill the vacancy arising.

By order of the board



Nick Wanless
Director

10/9/2014

22 Wycombe End
Beaconsfield
Buckinghamshire
HP9 1NB

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report, the Strategic 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 judgements 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 2013 set out on pages 6 to 19. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

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 2013 and of its result 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 Strategic Report and 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

Date: 10/9/14

Profit and loss account
for the year ended 31 December 2013

| | <i>Note</i> | 2013 £000 | 2012 £000 |
|--|-------------|----------------------------|--------------|
| Turnover | 2 | - | 38,401 |
| Cost of sales | | - | (26,854) |
| | | <hr/> | <hr/> |
| Gross profit | | - | 11,547 |
| Distribution costs | | - | (3,334) |
| Administrative expenses | | - | (7,100) |
| | | <hr/> | <hr/> |
| Operating profit | | - | 1,113 |
| Interest receivable and similar income | 6 | - | 16 |
| Interest payable and similar charges | 7 | - | (48) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 3 | - | 1,081 |
| Tax on profit on ordinary activities | 8 | - | 12 |
| | | <hr/> | <hr/> |
| Profit for the financial year | | - | 1,093 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 9 to 19 form part of these financial statements.

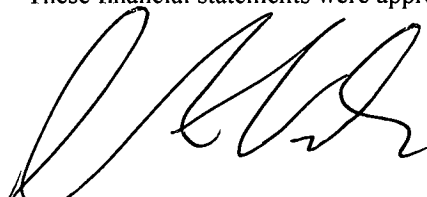
The company has no recognised gains and losses for the year.

Balance sheet
at 31 December 2013

| | Note | 2013 £000 | 2012 £000 |
|---|------|--------------|-------------------|
| Fixed assets | | | |
| Tangible assets | 10 | - | 1,606 |
| Current assets | | | |
| Stocks | 11 | - | 6,083 |
| Debtors (<i>includes £nil in relation to cash pooling arrangement (2012: £2,060,945)</i>) | 12 | 11,426 | 11,522 |
| | | <hr/> | <hr/> |
| Creditors: amounts falling due within one year | 13 | - | 17,605 (7,630) |
| | | <hr/> | <hr/> |
| Net current assets | | 11,426 | 9,975 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 11,426 | 11,581 |
| | | <hr/> | <hr/> |
| Provisions for liabilities and charges | 14 | - | (155) |
| | | <hr/> | <hr/> |
| Net assets | | 11,426 | 11,426 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 16 | 3,600 | 3,600 |
| Profit and loss account | 17 | 7,826 | 7,826 |
| | | <hr/> | <hr/> |
| Shareholder's funds | | 11,426 | 11,426 |
| | | <hr/> | <hr/> |

The notes on pages 9 to 19 form part of these financial statements

These financial statements were approved by the board of directors on 10 September 2014 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 2013

| | 2013 £000 | 2012 £000 |
|--|----------------------------|----------------------------|
| Profit for the financial year | - | 1,093 |
| Charge in relation to share based payments | - | 3 |
| | <hr/> | <hr/> |
| Net addition to shareholder's funds | - | 1,096 |
| Opening shareholder's funds | 11,426 | 10,330 |
| | <hr/> | <hr/> |
| Closing shareholder's funds | 11,426 | 11,426 |
| | <hr/> <hr/> | <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 Randall Ltd transferred its trade and assets on 1st 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.

In 2012 the company also participated in a group pension scheme providing benefits based on final pensionable pay. The assets are held separately from those of the Company. In 2012 the Company was 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', accounted for the scheme as if it were a defined contribution scheme. On 1st January 2013 as part of the trade and assets no further pension liabilities were born by the Company.

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 in to 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

| | 2013 £000 | 2012 £000 |
|-------------------------------|--------------|---------------|
| <i>By geographical market</i> | | |
| UK | - | 32,582 |
| Europe and rest of the world | - | 5,819 |
| | <u>-</u> | <u>38,401</u> |

3 Profit on ordinary activities before taxation

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging:</i> | | |
| Depreciation and other amounts written off tangible fixed assets - owned | - | 309 |
| Operating leases - rentals of motor vehicles | - | 176 |
| | <u>-</u> | <u>485</u> |

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| <i>Auditor's remuneration</i> | | |
| Audit of these financial statements | - | 21 |
| Amounts receivable by the auditors and their associates in respect of: Other services relating to taxation | - | 7 |
| | <u>-</u> | <u>28</u> |

The fees payable to the Company's auditors in the current year has been borne by the Company's parent undertaking.

4 Remuneration of directors

| | 2013 £000 | 2012 £000 |
|---------------|--------------|--------------|
| Remuneration | - | 163 |
| Pension costs | - | 14 |
| | <u>-</u> | <u>177</u> |

No Directors have any retirement benefits accruing under the defined benefit scheme (2012: £nil). The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £nil (2012: £162,730) of which £nil (2012: £13,900) was contributions made by the company to a defined benefit scheme.

In the current year, 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:

| | 2013 Number | 2012 Number |
|---------------------|----------------|----------------|
| Production | - | 89 |
| Administration | - | 41 |
| Sales and marketing | - | 40 |
| | <hr/> | <hr/> |
| | - | 170 |
| | <hr/> <hr/> | <hr/> <hr/> |

The aggregate payroll costs of these persons were as follows:

| | 2013 £000 | 2012 £000 |
|------------------------------------|--------------|--------------|
| Wages and salaries | - | 5,260 |
| Social security costs | - | 425 |
| Share based payments (see note 18) | - | 3 |
| Other pension costs (see note 19) | - | 2,524 |
| | <hr/> | <hr/> |
| | - | 8,212 |
| | <hr/> <hr/> | <hr/> <hr/> |

6 Interest receivable and similar income

| | 2013 £000 | 2012 £000 |
|--------------------------|--------------|--------------|
| Bank interest receivable | - | 16 |
| | <hr/> <hr/> | <hr/> <hr/> |

7 Interest payable and similar charges

| | 2013 £000 | 2012 £000 |
|-------------------------|--------------|--------------|
| Foreign exchange losses | - | 48 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

8 Taxation

Analysis of charge in period

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | - | 110 |
| Adjustments to tax charge in respect of previous periods | - | (364) |
| | <hr/> | <hr/> |
| Total current tax (credit) / charge (see below) | - | (254) |
| <i>Deferred tax</i> | | |
| Origination/reversal of timing differences | - | 242 |
| Adjustments in respect of previous periods | - | - |
| | <hr/> | <hr/> |
| Deferred tax (see note 15) | - | 242 |
| | <hr/> | <hr/> |
| Tax (credit)/charge on profit on ordinary activities | - | (12) |
| | <hr/> | <hr/> |

The current tax charge for the period is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit for the year on ordinary activities before tax | - | 1,093 |
| | <hr/> | <hr/> |
| Current tax at 23.25% (2012: 24.5%) | - | 268 |
| <i>Effects of:</i> | | |
| Expenses disallowed for tax purposes | - | 23 |
| Differences between capital allowances and depreciation | - | (20) |
| Short term timing differences | - | (161) |
| Adjustments to tax charge in respect of previous periods | - | (364) |
| | <hr/> | <hr/> |
| Total current (credit)/tax charge (see above) | - | (254) |
| | <hr/> | <hr/> |

Factors affecting the tax charge in future periods

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the group's future current tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Final dividends paid in respect of prior year but not recognised as liabilities in that year | - | - |

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is £nil (2012: £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 2013 | 1,546 | 3,739 | 368 | 765 | 27 | 11 | 6,456 |
| Transfer of assets | (1,546) | (3,739) | (368) | (765) | (27) | (11) | (6,456) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 31 December 2013 | - | - | - | - | - | - | - |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Depreciation | | | | | | | |
| At 1 January 2013 | 1,009 | 2,781 | 262 | 760 | 27 | 11 | 4,850 |
| Transfer of assets | (1,009) | (2,781) | (262) | (760) | (27) | (11) | (4,850) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| At 31 December 2013 | - | - | - | - | - | - | - |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Net book value | | | | | | | |
| At 31 December 2013 | - | - | - | - | - | - | - |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| At 31 December 2012 | 537 | 958 | 106 | 5 | - | - | 1,606 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

Freehold land and buildings at 31 December 2013 includes land at a cost of £nil (2012: £500,000) which is not depreciated.

Notes (continued)

11 Stocks

| | 2013 £000 | 2012 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | - | 3,823 |
| Finished goods and goods for resale | - | 2,260 |
| | <u>-</u> | <u>6,083</u> |
| | <u>-</u> | <u>6,083</u> |

12 Debtors

| | 2013 £000 | 2012 £000 |
|---|---------------|---------------|
| Trade debtors | - | 7,378 |
| Amounts owed by group undertakings | 11,426 | 2,077 |
| Amounts owed by group undertakings – cash pooling arrangement | - | 2,061 |
| Prepayments and accrued income | - | 6 |
| | <u>11,426</u> | <u>11,522</u> |
| | <u>11,426</u> | <u>11,522</u> |

13 Creditors: amounts falling due within one year

| | 2013 £000 | 2012 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | - | 1,464 |
| Amounts owed to group undertakings | - | 2,416 |
| Corporation tax | - | 110 |
| Other taxes and social security | - | 140 |
| Accruals and deferred income | - | 3,370 |
| Bank overdrafts | - | 130 |
| | <u>-</u> | <u>7,630</u> |
| | <u>-</u> | <u>7,630</u> |

Notes (continued)

14 Provisions for liabilities and charges

| | Deferred Taxation £000 | Warranty provision £000 | Total provision £000 |
|-------------------------------|------------------------------|-------------------------------|----------------------------|
| At 1 January 2013 | 65 | 90 | 155 |
| Transfer to group undertaking | (65) | (90) | (155) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2013 | - | - | - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

15 Deferred tax (liability) / asset

The elements of deferred taxation are as follows:

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Difference between accumulated depreciation and capital allowances | - | (65) |
| | <hr/> | <hr/> |
| Deferred tax (liability) / asset | - | (65) |
| | <hr/> <hr/> | <hr/> <hr/> |

16 Called up share capital

| | 2013 £000 | 2012 £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

| | Profit and loss account £000 |
|-----------------------|---|
| At beginning of year | 7,826 |
| Dividend paid in year | - |
| | <hr/> |
| At end of year | 7,826 |
| | <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 (2012: £nil). 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 in 2012 was DKK 365 generating a charge of £3,000.

The liability relating to these share based payments has transferred with the Company's trade and assets on 1st January 2013.

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 £- (2012: £414,000). The Company paid contributions in accordance with the Scheme rules in respect of members of the defined contribution section. Following the transfer of the companies trade and assets on 1st January 2013 the Company no longer participated in a defined contribution scheme.

Defined benefit pension scheme

The Company participated in the Danfoss Holdings (UK) Pension Scheme ("the Scheme") until 1 January 2013. 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 were held separately from those of the participating companies. The Company was 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, required the Company to account for pension costs in these financial statements as if the Scheme were a defined contribution scheme.

The Company paid 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 st April 2006 | 3.4% pa |
| Benefits built up after 31 st 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 2013 is equal to the contributions paid of £nil (2012: £2,120,000). Additionally, the Company credited £nil 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 1st January 2013, 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:

| | 2013 £000 | Other | 2012 £000 |
|--|--------------|-------|--------------|
| Operating leases which expire: | | | |
| Within one year | 19 | | 8 |
| In the second to fifth years inclusive | 86 | | 138 |
| | <u>105</u> | | <u>146</u> |

Commitments remain with Danfoss Randall Limited, however the costs are borne by the parent entity Danfoss Ltd.

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

The immediate parent company is Danfoss 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
22 Wycombe End
Beaconsfield
Buckinghamshire
HP9 1NB

Danfoss A/S
6430 Nordborg
Denmark