

Company Registration No. 02605811 (England and Wales)

**DANFOSS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# DANFOSS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	T Christensen A Stahlschmidt N Wanless
<b>Company number</b>	02605811
<b>Registered office</b>	22 Wycombe End Beaconsfield Buckinghamshire HP9 1NB
<b>Auditors</b>	Harwood Hutton Limited 22 Wycombe End Beaconsfield Buckinghamshire HP9 1NB

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# DANFOSS LIMITED

## CONTENTS

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	Page
Strategic report	1 - 4
Directors' report	5 - 6
Independent auditor's report	7 - 9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 28

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# DANFOSS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present the strategic report for the year ended 31 December 2021.

#### **Business review, principal activities and future developments**

The company is a wholly owned subsidiary of Danfoss A/S, a company registered in Denmark. For the year ended 31 December 2021 the company's principal activities are the sale of controls and variable speed drives in the electrical and refrigeration industries, refrigeration compressors and the manufacture and supply of electronic and electro-mechanical heating controls, including time controls and thermostats and thermostatically regulated valves.

As shown in the company's statement of comprehensive income, the company's turnover for the year was £78,989k (2020: £73,328k). The profit before taxation for the company in 2021 was £2,705k (2020: £3,880k). This was in line with the Directors' expectations. As shown in the company's balance sheet, the company's net assets at 31 December 2021 were £21,685k (2020: £14,747k). This was in line with Directors' expectations.

In 2022 we intend to continue adapting our structure to constantly changing market conditions and to continue our strict cost discipline. Through optimisation and standardisation of processes we can further improve our efficiency while simultaneously enhancing the quality of our customer service. Moreover, the optimisation of our production and logistics networks will continue to improve our cost structures.

#### **Risk Management**

The Danfoss Group's central finance department is responsible for the overall monitoring and control of financial and operational risk management. Strategic/operational risk covers the following areas, supplier management, contract management, company acquisition and integration and illegal copying of Danfoss products. Financial risk covers the following areas, currency exposure, interest rate risk, liquidity risk, credit risk, other hedging and pension obligations risk.

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.

#### **Foreign currency risk**

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

#### **Interest rate and credit risk**

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

# **DANFOSS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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### **Liquidity and cash flow risk**

As at 31 December 2021 the company had no cash resources (2020: £Nil) as it uses the Danfoss Group cash pool facility for financing its operational expenses.

### **Impact of Covid-19 subsequent to the year-end**

The coronavirus pandemic has continued and resulted in other governments, in particular China, continuing to implement emergency measures to restrict the spread of the disease. These measures continue to cause a material disruption to global logistic chains and an economic slowdown in the UK which could negatively impact on the Company's financial performance.

The impact on the Company's financial performance depends on a number of factors such as the strength of the economy's recovery, severity of the pandemic and the Government's resulting policies. These factors continue to have an impact on the Company's performance and demand for the Company's products and are not possible to accurately predict.

The scope and direction of the pandemic remains changeable and additional impacts may arise. A sustained or prolonged outbreak could exacerbate the impact on the Company's performance.

### **Going concern disclosure**

Danfoss Limited forecasts, including multiple scenarios taking account of the impact of Covid-19, demonstrate that Danfoss Limited will be able to operate for at least twelve months from the approval date of these financial statements. These scenarios range from a base case scenario where sales gradually return to pre Covid-19 during 2022/23 to a severe but plausible downside scenario of sales being lower by 75% when compared to pre Covid-19 level of sales.

The Company is part of the Danfoss Group cash pool facility and as part of this agreement the company's cash is deposited with the Group. The cash pool balance is included within these financial statements as an intercompany debtor. The company can access this cash on demand.

Whilst it is acknowledged that Covid-19 will have an impact on the business over the next twelve months, based on the existing cash position and the scenarios analysis stated above, management concludes that there is no material uncertainty associated with the going concern.

### **Financial Key Performance Indicators**

The company uses key performance indicators to assess performance including turnover and operating profit. In the year under review, turnover increased by £5,661k on continuing activities as a result of the recovery from the coronavirus pandemic. Operating profit on continuing activities decreased by £1,163k.

## **DANFOSS LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **The Board's statement on s172(1)**

The success of our business is dependent on the support of all of stakeholders. Building positive relationships with stakeholders that share our values is very important to us and working together towards shared goals helps us to deliver sustainable success.

Danfoss comprises a number of business units, all of which have extensive engagement with their unique stakeholders as well as other businesses in the Danfoss Group. The Group's governance framework delegates authority for local decision making to local Country Leaders Teams up to certain defined levels. This allows individual businesses and Country Leadership teams to take account of the needs of their own stakeholders during the decision making process.

Through continued dialogue with key stakeholders, the individual businesses have been able to develop a clear understanding of their stakeholders needs, assess their views and monitor their impact on our strategic ambition and culture. During the business' decision-making process, the impact of decisions on relevant stakeholders are considered. Other broader factors are also considered whilst making decisions, these include the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

The leadership teams of each business unit and the Country Leadership team make decisions with a long term view and with the highest standards of conduct in line with Group policies. In order to fulfil their duties, the Directors of each business and the Danfoss Group itself take care to be mindful of the consequences on all stakeholders of the decision and actions which they make. Where possible, decisions are discussed with affected groups.

Presentations are regularly made to the Group Board by the business units about the strategy performance and key decisions taken. This feedback allows the Group Board to evaluate that proper consideration is given to stakeholders. Group is also informed on the views of stakeholders through regular feedback, reporting and analysis. This feedback is used to inform the Group's decisions and how they are determined.

The Group's key stakeholders are as follows:

#### *Shareholders*

The shareholders are closely involved in the decision making process of the Group. Discussions with shareholders cover all aspects of the business activities of the Group and include, financial performance, strategy, outlook, governance and ethical practices.

#### *Employees*

There are many forums through which the Group's management engages with employees. These include surveys, face to face briefings, town hall meetings, intranet updates, newsletters. Employees are regularly asked to complete anonymous surveys so the Group can get unbiased feedback from employees. Key areas of focus include well being and health, opportunities, pay and benefits.

## DANFOSS LIMITED

### STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### *Customers*

We strive to ensure that Danfoss is as easy as possible to deal with and therefore try to ensure that we constantly get feedback on our performance from customers and through this build strong relationships. We regularly perform customer surveys and seek feedback through customer meetings at every level. We use this knowledge to inform our decision making on the services and products we provide, to ensure that they are in line with our customers' requirements.

#### *Suppliers*

We aim to build strong partnerships with our suppliers in order to ensure mutually beneficial relationships. We regularly seek feedback from our suppliers through various interactions which are aimed at strengthening our relationships. The Group's management realises that strong relationships with suppliers are essential to Danfoss' success and the Group's management are focused on developing these relationship and are therefore briefed regularly on this area.

#### *Communities*

Local management seek to engage with the local communities in which we operate to ensure that they understand the local issues. An example of this is that a local charity committee has been set up in order to raise money for local causes. The impact of Danfoss activities on a local and national level is considered by the Local Leadership teams.

#### *Government and regulators*

Danfoss engage with the government and regulators through a number of Associations, for example BEAMA, and through meetings. Key areas of focus are compliance with laws and regulations, health and safety and product safety. The Country Leadership team is updated on legal and regulatory developments and these are taken in account when future actions are considered.

On behalf of the board

N Wanless

**Director**

28 September 2022

# DANFOSS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their annual report and audited financial statements for the year ended 31 December 2021.

#### Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £3,500,000 (2020: £nil). The directors do not recommend payment of a final dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

T Christensen

J Gaarde Gad

M Postings

A Stahlschmidt

N Wanless

(Resigned 25 February 2022)

(Resigned 30 June 2021)

#### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### Post reporting date events

As part of the directors' going concern review, the 2021 and 2022 year to date financial performance of the Company has been analysed. In addition the financial position and performance of the Danfoss group has also been reviewed in light of the Covid-19 pandemic and the impact that it has had to date on the Company.

As part of their consideration, the directors have reviewed the cost reduction measures that have already taken place across Danfoss UK and the wider Danfoss Group, the company's net asset position at 31 December 2021, excluding pension surplus, of £9,289k and the Group's overdraft facilities that are available to the company.

The directors have a reasonable expectation that the Company has adequate resources, including the group's overdraft facility, to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

#### Auditor

The auditor, Harwood Hutton Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Energy and carbon report

The Danfoss group, of which Danfoss Limited is a member, is a globally leading technology partner in energy efficiency and sustainable solutions. The group has proven and reliable solutions to meet many of the climate, urbanisation and food challenges faced globally. It also strives to improve the sustainability of its internal operations, as well as bringing innovative greener solutions to market.

The Danfoss group provides group level reporting on sustainability initiatives and strategy within the Our Business section of its 2021 Annual Report. This annual report can be downloaded from [www.danfoss.com](http://www.danfoss.com).

The directors have reviewed the required energy and carbon reporting for the year ended 31 December 2021 and have concluded that its inclusion in this report is impractical. The directors are committed to improving collation of this data at the UK level so that the barriers to reporting are removed in future periods.



# DANFOSS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk objectives, future developments and disclosures regarding engagement with suppliers, customers and others in a business relationship.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

N Wanless

**Director**

28 September 2022

# DANFOSS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DANFOSS LIMITED

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### Opinion

We have audited the financial statements of Danfoss Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

# DANFOSS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBER OF DANFOSS LIMITED

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either are to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was a susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

At a group level, a clear and robust internal control expectation is set and applied across all subsidiary companies. These controls include consistent transaction processes, regular and timely reconciliations, and effective segregation of controls and authorisation procedures. The strong internal control environment indicated that the susceptibility of the financial statements to material misstatement as a result of fraud or error was reduced.

The directors reported that they had no knowledge of actual, suspected or alleged fraud in the year, but as auditors we remain vigilant for any indicators of fraud nonetheless.

The potential for misappropriation of assets such as cash and inventory were considered, but were assessed to be low risk by us given the controls and mechanisms surrounding these assets.

## **DANFOSS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF DANFOSS LIMITED**

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The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.

We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector. We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation and quality assurance regulations.

We did not identify any laws and regulations as being significant in the context of the entity directly, apart from those laws and regulations usually applicable to a company operating within the United Kingdom. Some laws and regulations were identified as having an indirect impact on the entity due to their respective impact on group companies with which Danfoss Limited had a close commercial relationship.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing minutes of appropriate meetings of those charged with governance; and
- enquiring with management as to actual and potential litigation claims.

We obtained an understanding how the entity is complying with the relevant legal and regulatory framework by making enquiries with management, reviewing appropriate legally required reporting and reviewing legal and professional fee invoices.

To address the risk of fraud through management override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries for appropriateness and to identify unusual transactions; and
- investigated the rationale behind significant or unusual transactions.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member for our audit work, for this report, or for the opinions we have formed.

**Margaret El Khalidi (Senior Statutory Auditor)**  
**For and on behalf of Harwood Hutton Limited**

28 September 2022

**Chartered Accountants**  
**Statutory Auditor**

22 Wycombe End  
Beaconsfield  
Buckinghamshire  
HP9 1NB

# DANFOSS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
<b>Turnover</b>	<b>3</b>	78,989	73,328
Cost of sales		(60,171)	(57,117)
<b>Gross profit</b>		18,818	16,211
Distribution costs		-	(433)
Administrative expenses		(18,859)	(14,775)
Other operating income		2,723	2,842
<b>Operating profit</b>	<b>4</b>	2,682	3,845
Interest receivable and similar income	<b>8</b>	34	181
Interest payable and similar expenses	<b>9</b>	(11)	(146)
<b>Profit before taxation</b>		2,705	3,880
Tax on profit	<b>10</b>	12	(569)
<b>Profit for the financial year</b>		2,717	3,311
<b>Other comprehensive income</b>			
Actuarial gain/(loss) on defined benefit pension schemes		10,459	(5,638)
Tax relating to other comprehensive income		(2,738)	1,064
<b>Total comprehensive income for the year</b>		10,438	(1,263)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# DANFOSS LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000	2020 £000
<b>Fixed assets</b>				
Goodwill	13		1,784	2,081
Tangible assets	14		-	109
			<u>1,784</u>	<u>2,190</u>
<b>Current assets</b>				
Stocks	15	1,013		393
Debtors	16	22,607		20,076
		<u>23,620</u>		<u>20,469</u>
<b>Creditors: amounts falling due within one year</b>	17	(12,969)		(9,202)
<b>Net current assets</b>			<u>10,651</u>	<u>11,267</u>
<b>Total assets less current liabilities</b>			<u>12,435</u>	<u>13,457</u>
<b>Provisions for liabilities</b>				
Provisions	18	97		156
Deferred tax liability	19	3,049		259
		<u></u>	<u>(3,146)</u>	<u>(415)</u>
<b>Net assets excluding pension surplus</b>			<u>9,289</u>	<u>13,042</u>
<b>Defined benefit pension surplus</b>	20		<u>12,396</u>	<u>1,705</u>
<b>Net assets</b>			<u><u>21,685</u></u>	<u><u>14,747</u></u>
<b>Capital and reserves</b>				
Called up share capital	21		6,200	6,200
Profit and loss reserves			<u>15,485</u>	<u>8,547</u>
<b>Total equity</b>			<u><u>21,685</u></u>	<u><u>14,747</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28 September 2022 and are signed on its behalf by:

N Wanless  
Director

Company Registration No. 02605811

# DANFOSS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

		Share capital	Profit and loss reserves	Total
	Notes	£000	£000	£000
<b>Balance at 1 January 2020</b>		6,200	9,810	16,010
<b>Year ended 31 December 2020:</b>				
Profit for the year		-	3,311	3,311
Other comprehensive income:				
Actuarial gains/(losses) on defined benefit plans		-	(5,638)	(5,638)
Tax relating to other comprehensive income		-	1,064	1,064
Total comprehensive income/(expenses) for the year		-	(1,263)	(1,263)
<b>Balance at 31 December 2020</b>		6,200	8,547	14,747
<b>Year ended 31 December 2021:</b>				
Profit for the year		-	2,717	2,717
Other comprehensive income:				
Actuarial gains/(losses) on defined benefit plans		-	10,459	10,459
Tax relating to other comprehensive income		-	(2,738)	(2,738)
Total comprehensive income/(expenses) for the year		-	10,438	10,438
Dividends	11	-	(3,500)	(3,500)
<b>Balance at 31 December 2021</b>		6,200	15,485	21,685

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Danfoss Limited is a private company limited by shares incorporated in England and Wales. The registered office is 22 Wycombe End, Beaconsfield, Buckinghamshire, HP9 1NB.

The principal place of business is Building 4, Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are presented in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Danfoss A/S. These consolidated financial statements are available from its registered office, 6430 Nordborg, Denmark.

#### *Reclassification of management charges*

Management charges received during the year ended 31 December 2020 of £2,842,000 have been reclassified as other income, having previously been aggregated within expenditure. The revised presentation more accurately reflects the transactions and brings presentation into line with other group entities.

#### 1.2 Going concern

Danfoss Limited forecasts, including multiple scenarios taking account of the impact of Covid-19, demonstrate that Danfoss Limited will be able to operate for at least twelve months from the approval date of these Financial Statements. These scenarios range from a base case scenario where sales gradually return to pre Covid-19 during 2022/23 to a severe but plausible downside scenario of sales being lower by 75% when compared to pre Covid-19 level of sales.

The Company is part of the Danfoss Group cash pool facility and as part of this agreement the company's cash is deposited with the Group. The cash pool balance is included within these financial statements as an intercompany debtor. The company can access this cash on demand.

Whilst it is acknowledged that Covid-19 will have an impact on the business over the next twelve months, based on the existing cash position and the scenarios analysis stated above, management concludes that there is no material uncertainty associated with the going concern.



# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### 1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable for the sale of goods and the rendering of services in the normal course of business, and is shown net of discounts and VAT.

##### *Sale of goods*

Revenue arises from the sale of goods. Revenue is recognised when the customer accepts delivery of the goods.

##### *Rendering of services*

Revenue arises from the provision of services. Revenue is recognised proportionally over the performance of the service contract, by reference to the stage of completion of the transaction at the end of the financial year.

#### 1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised through the profit and loss on a systematic basis over its expected life, which is 10 to 15 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. At each balance sheet date, the cash-generating unit to which goodwill has been allocated is assessed to determine whether there is any indication that the cash-generating unit may be impaired. If there is such an indication, the recoverable amount of the cash-generating unit is compared to the carrying amount of the cash-generating unit.

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	2 to 6 years
-----------------------	--------------

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Impairment of fixed assets

At each financial year end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

The company sells products for a number of markets and is subject to changing consumer demands. As a result, it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage in production of raw materials.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 "Basic Financial Instruments" to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

##### **Basic financial assets**

Short term debtors are measured at transaction price less any provision for impairment. Loans receivable are measured initially at fair value, net of transaction costs and are subsequently carried at amortised costs using the effective interest method, less any provision for impairment.

##### **Basic financial liabilities**

Short term creditors are measured at transaction price. Other financial liabilities, including bank loans and other loans, are measured initially at fair value, net of transaction costs and are subsequently carried at amortised costs using the effective interest method.

#### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account.

#### 1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the year in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.12 Retirement benefits

##### **Defined contribution schemes**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **Defined benefit schemes**

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the year in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments. The net interest is recognised in profit or loss as interest or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the year in which they occur and are not reclassified to profit and loss in subsequent financial years.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### 1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### 1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the year.

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised where the revision affects only that year, or in the year of the revision and future financial years where the revision affects both current and future years.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Revenue recognition

The company revenue recognition policy is to recognise sales of goods upon arrival with the customer. Management have monitored the average shipping times to customers and have built an estimated 3 day delivery period into the invoicing system so that invoices are raised on the anticipated arrival date with the customer, unless specific alternative arrangements are sought by the customer. However, this use of a universal estimated delivery period will inevitably result in some variability in accuracy of revenue recognition.

#### Volume discounts

The company makes provisions for rebate and claim back accruals based on the expected outcome of future promotional activity. The ultimate performance of any promotional activity is not known at the time of sale and estimates to the value of the accrual could vary significantly as a result. However, promotional activity is closely monitored and tracked, and past experience is used to strengthen the provisions and estimates made.

#### Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience and market knowledge. Further details can be found in the Debtors note.

#### Defined benefit pension scheme

The company has an obligation to pay benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Further details can be found elsewhere in these accounting policies, or within the Retirement Benefit Schemes note.

### 3 Turnover and other revenue

	2021	2020
	£000	£000
<b>Turnover analysed by class of business</b>		
Sales of goods	77,988	72,758
Services	1,001	570
	<u>78,989</u>	<u>73,328</u>

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Turnover and other revenue (Continued)

	2021	2020
	£000	£000
Turnover analysed by geographical market		
UK	78,414	67,692
Europe	451	5,636
Rest of world	124	-
	<u>78,989</u>	<u>73,328</u>

### 4 Operating profit

	2021	2020
	£000	£000
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	79	(131)
Depreciation of owned tangible fixed assets	109	134
(Profit)/loss on disposal of tangible fixed assets	-	1
Amortisation of intangible assets	297	297
Impairment of stocks recognised or reversed	-	(1,009)
Operating lease charges	627	499
	<u>627</u>	<u>499</u>

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
Administration	12	11
Sales and marketing	113	113
	<u>125</u>	<u>124</u>

Their aggregate remuneration comprised:

	2021	2020
	£000	£000
Wages and salaries	8,945	7,022
Social security costs	1,089	1,072
Pension costs	811	707
	<u>10,845</u>	<u>8,801</u>

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6 Directors' remuneration

	2021 £000	2020 £000
Remuneration for qualifying services	284	282
Amounts receivable under long term incentive schemes	51	34
Company pension contributions to defined contribution schemes	15	20
Compensation for loss of office	103	-
	<u>453</u>	<u>336</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £000	2020 £000
Remuneration for qualifying services	227	165
Amounts receivable under long term incentive schemes	51	34
Company pension contributions to defined contribution schemes	6	11
	<u>284</u>	<u>210</u>

During the year, 2 directors were remunerated by the company (2020: 2). The emoluments of the other directors were paid by the parent company. The services provided by these directors to this company and fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of their services.

### 7 Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	26	47
	<u>26</u>	<u>47</u>
<b>For other services</b>		
Taxation compliance services	23	21
All other non-audit services	52	55
	<u>75</u>	<u>76</u>

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 8 Interest receivable and similar income

	2021	2020
	£000	£000
<b>Interest income</b>		
Interest on the net defined benefit asset	25	143
Interest receivable from group companies	-	38
Other interest income	9	-
	<u>34</u>	<u>181</u>
Total income	<u>34</u>	<u>181</u>

### 9 Interest payable and similar expenses

	2021	2020
	£000	£000
Interest payable to group undertakings	11	146
	<u>11</u>	<u>146</u>

### 10 Taxation

	2021	2020
	£000	£000
<b>Current tax</b>		
UK corporation tax on profits for the current period	668	733
Adjustments in respect of prior periods	(733)	(246)
	<u>(65)</u>	<u>487</u>
Total current tax	<u>(65)</u>	<u>487</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	53	95
Adjustment in respect of prior periods	-	(13)
	<u>53</u>	<u>82</u>
Total deferred tax	<u>53</u>	<u>82</u>
Total tax (credit)/charge	<u>(12)</u>	<u>569</u>

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £000	2020 £000
Profit before taxation	2,705	3,880
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	514	737
Tax effect of expenses that are not deductible in determining taxable profit	-	4
Adjustments in respect of prior years	(596)	(258)
Amortisation on assets not qualifying for tax allowances	56	56
Other permanent differences	14	30
Taxation (credit)/charge for the year	(12)	569

In addition to the amount (credited)/charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £000	2020 £000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	2,738	(1,064)

### 11 Dividends

	2021 £000	2020 £000
Interim paid	3,500	-

### 12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2021 £000	2020 £000
In respect of:			
Stocks	15	-	(1,009)
Recognised in:			
Cost of sales		-	(1,009)



# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Intangible fixed assets

	Goodwill £000
<b>Cost</b>	
At 1 January 2021 and 31 December 2021	4,057
<b>Amortisation and impairment</b>	
At 1 January 2021	1,976
Amortisation charged for the year	297
At 31 December 2021	2,273
<b>Carrying amount</b>	
At 31 December 2021	1,784
At 31 December 2020	2,081

### 14 Tangible fixed assets

	Fixtures and fittings £000
<b>Cost</b>	
At 1 January 2021	553
Disposals	(553)
At 31 December 2021	-
<b>Depreciation and impairment</b>	
At 1 January 2021	444
Depreciation charged in the year	109
Eliminated in respect of disposals	(553)
At 31 December 2021	-
<b>Carrying amount</b>	
At 31 December 2021	-
At 31 December 2020	109

### 15 Stocks

	2021 £000	2020 £000
Finished goods and goods for resale	1,013	393

## DANFOSS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

#### 16 Debtors

	2021	2020
	£000	£000
Amounts falling due within one year:		
Trade debtors	20,081	17,409
Corporation tax recoverable	-	283
Amounts owed by group undertakings	2,266	1,544
Other debtors	130	751
Prepayments and accrued income	130	89
	<u>22,607</u>	<u>20,076</u>

Trade debtors are stated after provision for impairment of £308,000 (2020: £124,000).

Amounts owed by group undertakings are repayable on demand. Interest is charged at a variable market rate.

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

	2021	2020
	£000	£000
Trade creditors	1,602	1,138
Amounts owed to group undertakings	1,418	1,012
Corporation tax	668	-
Other taxation and social security	3,351	3,024
Other creditors	4,260	2,543
Accruals and deferred income	1,670	1,485
	<u>12,969</u>	<u>9,202</u>

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is charged at a variable market rate.

#### 18 Provisions for liabilities

	2021	2020
	£000	£000
Warranty provision	<u>97</u>	<u>156</u>

The provision for warranties relates to expected warranty claims on products sold at the balance sheet date. It is expected that the majority of this expenditure will be incurred over the next year.

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 18 Provisions for liabilities

(Continued)

Movements on provisions:

	Warranty provision £000
At 1 January 2021	156
Additional provisions in the year	97
Utilisation of provision	(156)
At 31 December 2021	97

### 19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £000	Liabilities 2020 £000
<b>Balances:</b>		
Accelerated capital allowances	(50)	(41)
Tax losses	-	(60)
Retirement benefit obligations	3,099	360
	3,049	259

	2021 £000
<b>Movements in the year:</b>	
Liability at 1 January 2021	259
Charge to profit or loss	52
Charge to other comprehensive income	2,738
Liability at 31 December 2021	3,049

### 20 Retirement benefit schemes

	2021 £000	2020 £000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	742	707

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 20 Retirement benefit schemes

(Continued)

#### Defined benefit schemes

The company operated a defined benefit scheme for qualifying employees; this scheme was closed to members in 2010, upon which all members were transferred to the defined contribution scheme. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities.

#### Valuation

A full actuarial valuation was carried out at 31 March 2021 and updated to 31 December 2021 by a qualified actuary, independent of the scheme's sponsoring employer.

#### Funding policy

The actuarial valuation as at 31 March 2018 showed a deficit of £5,737,000. The company previously agreed with the trustees that it would aim to eliminate the deficit over a period of 10 years from 1 July 2019 by the payment of one contribution of £4.2m on or before 31 March 2019, followed by annual contributions of £207,000 until 31 March 2028. In addition, the company has agreed with the trustees that it will meet expenses of the plan and levies to the Pension Protection Fund. The valuation as at 31 March 2021 showed a surplus of £5,901,000.

	2021	2020
	%	%
<i>Key assumptions</i>		
Discount rate	1.81	1.39
Expected rate of salary increases	4.64	4.21
Expected rate of return on plan assets	1.81	1.39
Expected return on plan assets at beginning of year	1.39	2.05
RPI	3.64	3.21
	==	==
<i>Mortality assumptions</i>		
	2021	2020
	Years	Years
Retiring today		
- Males	22	21.8
- Females	24.3	23.8
	==	==
Retiring in 20 years		
- Males	23.3	22.8
- Females	25.8	25.0
	==	==
	2021	2020
	£000	£000
<i>Amounts recognised in the profit and loss account</i>		
Net interest on net defined benefit liability/(asset)	(25)	(143)
Other costs and income	69	-
	==	==
Total costs/(income)	44	(143)
	==	==

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

20 Retirement benefit schemes	(Continued)	
	2021 £000	2020 £000
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	(9,347)	(11,408)
Less: calculated interest element	1,796	2,524
Return on scheme assets excluding interest income	(7,551)	(8,884)
Actuarial changes related to obligations	(2,908)	14,522
Total costs/(income)	(10,459)	5,638
The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:		
	2021 £000	2020 £000
Present value of defined benefit obligations	123,757	129,952
Fair value of plan assets	(136,153)	(131,657)
Surplus in scheme	(12,396)	(1,705)
<i>Movements in the present value of defined benefit obligations</i>		2021 £000
Liabilities at 1 January 2021		129,952
Benefits paid		(5,127)
Actuarial gains and losses		(2,908)
Interest cost		1,771
Other		69
At 31 December 2021		123,757
<i>The defined benefit obligations arise from plans funded as follows:</i>		2021 £000
Wholly unfunded obligations		-
Wholly or partly funded obligations		(123,757)
		123,757

# DANFOSS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

20 Retirement benefit schemes	(Continued)
	<b>2021</b>
<i>Movements in the fair value of plan assets</i>	<b>£000</b>
Fair value of assets at 1 January 2021	131,657
Interest income	1,796
Return on plan assets (excluding amounts included in net interest)	7,551
Benefits paid	(5,127)
Contributions by the employer	276
At 31 December 2021	<u>136,153</u>

The actual return on scheme assets over the period ended 31 December 2021 was £9,347,000 (2020 - £11,408,000).

	<b>2021</b>	<b>2020</b>
<i>Fair value of plan assets at the reporting period end</i>	<b>£000</b>	<b>£000</b>
Equity instruments	8,364	9,675
Debt instruments	32,168	19,688
Property	5,976	5,448
Overseas equities	18,707	26,519
Index linked bonds	20,606	25,558
Corporate bonds	36,147	31,716
Dynamic asset allocation	9,056	12,096
Cash	5,129	957
	<u>136,153</u>	<u>131,657</u>

None of the fair values of the assets shown above include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by the, company.

The expected rates of return on plan assets are determined by reference to the historical returns, without adjustment, of the portfolio and not on the sum of the returns on individual asset categories.

21 Share capital	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
6,200,000 Ordinary shares of £1 each	<u>6,200</u>	<u>6,200</u>

## DANFOSS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **22 Operating lease commitments**

##### **Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Within one year	237	425
Between two and five years	253	226
	<hr/>	<hr/>
	490	651
	<hr/>	<hr/>

#### **23 Financial commitments, guarantees and contingent liabilities**

At the reporting date, amounts of £4,000,000 were guaranteed to H M Revenue & Customs by the parent company's banking facility.

#### **24 Ultimate controlling party**

The company is a subsidiary undertaking of Danfoss International A/S, which is the immediate parent.

Danfoss A/S is the ultimate parent and controlling company incorporated in Denmark.

The largest and smallest group in which the results of the company are consolidated is that headed by Danfoss A/S. The consolidated financial statements of this group are available to the public and may be obtained from Danfoss A/S, 6430 Nordborg, Denmark.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.