



Donaldson Filter Components Limited  
**Annual Report &  
Financial Statements**

For the Year Ended 31 July  
Registered Number: 01222246 2021

Donaldson Filter Components Limited

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## **Donaldson Filter Components Limited**

### **Directors and Advisers for the Year Ended 31 July 2021**

#### **Directors**

DI Jowett

WVermeersch Resigned 19.03.2021

DJ King

CCook

SJ Bullock Appointed 13.07.2021

GR Fuller Appointed 19.03.2021

#### **Company Secretary**

Rollits Company Secretaries Limited

#### **Registered Office**

Citadel House

58 High Street

Hull

East Riding of Yorkshire

HU11QE

#### **Independent Auditors**

RSM UK Audit LLP

2 Humber Quays

Wellington Street West

Hull

HU12BN

#### **Solicitors**

Dorsey & Whitney

21 Wilson Street

London

EC2M2TD

#### **Bankers**

Lloyds Bank

25 Gresham Street

London

EC2V7HN

Fortis Bank

Vital Decosterstraat 42

3000 Leuven

Belgium

## **Donaldson Filter Components Limited**

# **Strategic Report for the Year Ended 31 July 2021**

### **Introduction**

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

### **Principal Activities and Business Review**

The company's principal activity during the year continued to be the manufacture of air filters which it sells, together with silencers and related accessories, in the heavy equipment, automotive and machinery markets both in the United Kingdom and overseas.

In the financial year to 31 July 2021 the turnover decreased from £79.2m to £76.9m.

The profit for the financial year to 31 July 2021 was £4.7m (2020: £3.3m).

The directors consider the level of business and the financial position of the balance sheet at the year-end to be satisfactory.

### **Future Developments**

The external commercial environment is expected to remain competitive throughout the year to 31 July 2022, however the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Principal Risks and Uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks.

Given the current COVID pandemic the Company has added the new risk to capture the risks of the developing situation affecting the world. The company is working with all of its stakeholders to prioritise the health and safety of our employees and to continue to supply our customers, especially those in key industries.

The key business risks and uncertainties affecting the company are considered to relate to competition from both the UK and overseas together with the economic climate in our various markets.

The risk that the company's products, services and pricing do not remain competitive could result in the loss of market share with the consequential impact on long term financial performance. We help manage this by a combination of approaches.

- Establishment of long-term customer relationships to differentiate products and services and protect margins
- Steady focus on improvement in operational performance, for example through the modernisation of facilities
- Increased focus on managing the cost of operations and products
- Sustained investment in equipment

## Donaldson Filter Components Limited

### Strategic Report for the Year Ended 31 July 2021

#### Principal Risks and Uncertainties (Continued)

The risk of disruption of the supply chain due to external factors or failure to deliver parts to committed costs and quality could result in a reduced ability to meet customer commitments, win future business or achieve operational results. We help manage this by a combination of approaches.

- Continuous Improvement of all processes and project management controls to ensure both technical and business objectives are achieved
- Focus on production quality through plant and supplier improvement plans
- Providing duality of capability through establishment of world-class manufacturing facilities

#### Key Performance Indicators (“KPI’s”)

The company monitors a number of indicators across the business. The main financial KPIs are as follows:

	2021	2020
	£'000	£'000
<b>Sales Growth</b>	-4.1%	-11.2%
<b>Gross Margin</b>	£31,055	£29,662
<b>Gross Margin Percentage</b>	40.9%	37.5%
<b>Profit After Tax</b>	£4,686	£3,327

The directors also monitor a number of non-financial KPIs.

#### Statement Under Section 172 of the Companies Act 2006

This statement, which forms part of the Strategic Report, is intended to show how the Directors have approached and met their responsibilities under section 172 of the Companies Act 2006 during the financial year.

As required by s172 of the UK companies Act 2006, a Director of a Company must act in a way they consider in good faith and would most likely promote the success of the company for the benefit of its stakeholder. In doing this, the Director must have regard, amongst other matters, to the following:

- likely consequences of any decisions in the long term;
- interests of the Company’s employees;
- need to foster the Company’s business relationships with customers, suppliers and others;
- impact of the Company’s operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- need to act fairly as between members of the Company

The board of the Company is collectively responsible for managing the affairs of the Company to achieve its long-term prosperity by making important decisions, monitoring the underlying performance of the Company, as well as being a means for establishing ethical standards.

When making decisions, the board seeks to understand the impact on each of its stakeholders, including the likely consequences of a decision in the long-term.

## **Donaldson Filter Components Limited**

### **Strategic Report for the Year Ended 31 July 2021**

#### **Statement Under Section 172 of the Companies Act 2006 (Continued)**

The Company is part of Donaldson Company Incorporated Group ("the Group"), and as such it follows a range of the Group policies in place to protect employees and provide a safe working environment, to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with customers, suppliers and colleagues.

#### **Workforce**

Engaging with the workforce enables the employees to be better informed and able to contribute to the delivery of our purpose and strategy, whilst creating a safe and engaging culture and environment where our employees feel valued, respected and listened to. We want all employees to feel they can grow, develop and make a meaningful contribution to our strategy.

We maintain regular dialogue with our workforce through, employee surveys, weekly briefings and a works company council.

#### **Customers**

Engaging with customers allows us to better understand our customer's needs and how we can deliver continuous improvement in customer service. We engage with our customers through channels such as our website, by phone, email and through a complaints procedure.

#### **Suppliers**

We create close and collaborative relationships with key suppliers to ensure our values and policies are effectively incorporated into and upheld throughout our supply chain.

#### **Standards of Business Conduct**

We are committed to conducting business ethically, with honesty and integrity, and in compliance with all relevant laws and regulations. We do not tolerate any form of bribery, corruption, human rights abuse, or other unethical business conduct.

#### **Community and Environment**

We aspire to be a responsible member of our community as it reflects our principle to do the right thing. It is so important to our colleagues, customers and shareholders. The Company has a charity committee which organises events to raise money for local charities and food collections for the local food bank. The Company also plants trees and shrubs on the company grounds every year.

#### **Shareholders**

Our ultimate parent company is Donaldson Company Incorporated and therefore we act in the best interest of our immediate and ultimate parent companies and, in doing so, in the best interest of the investors and shareholders of the group. This ensures that the interests of all relevant stakeholders, and the need to act fairly between members of the Company, are considered during decision making.

## **Donaldson Filter Components Limited**

### **Strategic Report for the Year Ended 31 July 2021**

#### **Covid-19 Impact**

The Directors have taken regular advice and implemented the appropriate measures to ensure our staff are able to work in safe and healthy environments.

The Directors have also considered the latest trading position of the Company and have considered severe but plausible downside scenarios in relation to the impact of COVID-19 in assessing the adoption of the going concern basis of accounting in preparing the annual financial statements, including access to the short-term deposit facility/short-term overdraft agreement with Donaldson Europe B.V.

This report was approved by the board on 21 December 2021 and signed on its behalf.



DI Jowett

Director

21 December 2021

## **Donaldson Filter Components Limited**

### **Directors' Report for the Year Ended 31 July 2021**

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

#### **Results and Dividends**

The company's profit for the financial year was £4,686,000 (2020: £3,327,000). The company paid an interim dividend of £9,000,000 (2020: £nil) during the year. No final dividend has been paid or proposed (2020: £nil).

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements are listed on page 1.

#### **Qualifying Third Party Pension Scheme Indemnity Provisions**

The company maintains a third-party pension scheme indemnity insurance in respect of the trustees of the company pension scheme which gives appropriate cover for any legal actions brought against any of the trustees.

Two of the directors of the company are also trustees of the scheme.

#### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications.

#### **Financial Risk Management**

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash flows and to manage interest rate risk, all of the European companies within the Donaldson group have centralised their respective treasury operations to the treasury department of the Donaldson European head office in Leuven, Belgium.

The European group has a policy of maintaining 100% of its debt (2020: 100%) at variable interest rate. Further this, the European group seeks to stabilise its funding operations by borrowing over a spread of maturity dates within a 12 month horizon.

Given the size and nature of operations, the European group's policy is to operate with 100% of its debt being payable within one year.

## **Donaldson Filter Components Limited**

### **Directors' Report for the Year Ended 31 July 2021 (Continued)**

#### **Financial Risk Management (Continued)**

The European group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

#### **Price Risk**

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The company does enter into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

#### **Credit Risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made plus credit limits on existing customers.

#### **Liquidity Risk**

The company actively maintains short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

#### **Interest Rate Cash Flow Risk**

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets represent short term deposits on Libor related interest rates. The company has a policy of maintaining debt at inter-bank related rates to ensure market comparability.



## Donaldson Filter Components Limited

### Directors' Report for the Year Ended 31 July 2021 (Continued)

#### Green House Gas Emissions

In accordance with the disclosure requirements under the Companies Act 2008, the table below shows the company's greenhouse gas emissions during the financial year:

	<b>2021</b> Tonnes of CO <sup>2</sup> equivalent	<b>2020</b> Tonnes of CO <sup>2</sup> equivalent
Scope 1 emissions from gas, transport and other fuel use	550	362
Scope 2 emissions from electricity	1,293	1,493
Scope 3 emissions from indirect sources	22	31
Total greenhouse gas emissions	1,865	1,886
Intensity ratio Tonnes CO <sub>2</sub> e per £1m of revenue	24.6	24

#### Quantification and Reporting Methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol -Corporate Standard and have used the 2019 and 2020 UK Government's Conversion Factors for Company Reporting.

#### Intensity Measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per £1m of revenue, the recommended ratio for the sector.

#### Measures Taken to Improve Energy Efficiency

Donaldson Filters Components is part of Donaldson Company Inc. and as such is part of a global sustainability programme with the aim to reduce the carbon footprint of the company.

Electricity use in Donaldson Filters Components Ltd itself is responsible for 69% of our total CO<sub>2</sub> emissions. Areas of biggest energy consumption had been identified and confirmed during ESOS audit and we have team dedicated to introducing improvements. Examples of currently made improvements are: installation of destratification fans and switching off the biggest energy consuming equipment in longer idle times. Moreover the company continuously plants new tree on company grounds.

## Donaldson Filter Components Limited

### Directors' Report for the Year Ended 31 July 2021 (Continued)

#### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the 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; 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 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 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.

#### Disclosure of Information to Auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report".

Each director has taken all the steps that they ought to have taken in his duty as a director (such as making enquiries of other directors and the auditors and any other steps required by the directors' duty to exercise due care skill and diligence) in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### Independent Auditors

RSM UK Audit LLP were appointed as auditors on 18 May 2021. RSM UK Audit LLP have indicated their willingness to continue in office.

On behalf of the Board



DI Jowett

Director

21 December 2021

## **Donaldson Filter Components Limited**

### **Independent auditors' report to the members of Donaldson Filter Components Limited**

#### **Opinion**

We have audited the financial statements of Donaldson Filter Components limited (the 'company') for the year ended 31 July 2021 which comprise Profit and loss account, Statement of comprehensive income, Balance sheet, 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 July 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

## **Donaldson Filter Components Limited**

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 2008**

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

### **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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, 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 intend 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.

## Donaldson Filter Components Limited

The extent to which the audit was considered capable of detecting irregularities, including fraud Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from external tax advisors.

The audit engagement team identified the risk of management override of controls and revenue recognition as

- the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to;
- on a sample basis, testing manual journal entries and other adjustments and evaluating the business rationale;
- reviewing key control account reconciliations;
- for the adjustments made in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and reviewing underlying documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

## Donaldson Filter Components Limited

### Use of our report

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.



Peter Adams FCA  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Two Humber Quays  
Wellington Street West Hull  
HU12BN

21 December 2021

## Donaldson Filter Components Limited

### Profit and loss account for the year ended 31 July 2021

	Note	2021 £'000	2020 £'000
Turnover	4	75,936	79,167
Cost of Sales		(44,881)	(49,505)
Gross Profit		31,055	29,662
Administrative expenses		(25,164)	(25,601)
Other Income		64	102
Operating Profit	5	5,955	4,163
Interest receivable and similar income		9	58
Interest payable and similar expenses	8	(6)	(34)
Other finance income	19	9	24
Profit before taxation		5,967	4,211
Tax on profit	9	(1,281)	(884)
<b>Profit for the financial year</b>		<b>4,686</b>	<b>3,327</b>

The results shown above derive from continuing operations.

There is no material difference between the results shown above and the results of the company under the historical cost convention.

The notes on page 17 to 40 form part of these financial statements.

### Statement of comprehensive income for the year ended 31 July 2021

	Note	2021 £'000	2020 £'000
Profit for the financial year		4,686	3,327
Remeasurement of net defined benefit liability	19	(95)	(455)
Movement on deferred tax relating to pension scheme	9	18	86
<b>Total comprehensive income for the year</b>		<b>4,609</b>	<b>2,958</b>

**Donaldson Filter Components Limited****Balance sheet as at 31 July 2021**

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets		1	1
Tangible assets	10	6,207	6,938
		6,208	6,939
Current assets			
Inventories	11	4,984	4,752
Debtors	12	35,611	37,962
Cash at bank and in hand		171	192
Total assets		40,766	42,906
Creditors: amounts falling due within one year	13	(8,167)	(7,042)
Net current assets		32,599	35,864
Total assets less current liabilities		38,807	42,803
Creditors: amounts falling due after more than one year	14	(20)	(30)
Deferred tax liabilities	15	(634)	(526)
Net assets (excluding pension asset)		38,153	42,247
Pension asset	19	357	654
Net assets including pension asset		38,510	42,901
Capital and reserves			
Called up share capital	16	995	995
Share premium account		1,582	1,582
Profit and loss account		35,933	40,324
<b>Total shareholders' funds</b>		<b>38,510</b>	<b>42,901</b>

The notes on pages 17 to 40 form part of these financial statements.

The financial statements on pages 14 to 40 were approved by the board of directors on 21 December 2021 and were signed on its behalf by:



DI Jowett

Director

Registered Number 01222246



**Donaldson Filter Components Limited**

**Statement of changes in equity for the year ended 31 July 2021**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
	£'000	£'000	£'000	£'000
Balance at 1 August 2019	995	1,582	37,366	39,943
Profit for the financial year	-	-	3,327	3,327
Other comprehensive expense for the financial year	-	-	(369)	(369)
Total comprehensive income for the year	-	-	2,958	2,958
Balance as at 31 July 2020	995	1,582	40,324	42,901
Balance as at 1 August 2020	995	1,582	40,324	42,901
Profit for the financial year	-	-	4,686	4,686
Other comprehensive expense for the financial year	-	-	(77)	(77)
Total comprehensive income for the year	-	-	4,609	4,609
Total transactions with owners recognised directly in equity	-	-	(9,000)	(9,000)
<b>Balance as at 31 July 2021</b>	<b>995</b>	<b>1,582</b>	<b>35,933</b>	<b>38,510</b>

The notes on pages 17 to 40 form part of these financial statements.

## **Donaldson Filter Components Limited**

### **Notes to the financial statements for the year ended 31 July 2020**

#### **1 Statement of compliance**

The individual financial statements of Donaldson Filter Components Limited have been prepared in compliance with United Kingdom GAAP, Including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The Company is incorporated and domiciled in the UK and is a private company limited by shares.

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **(a) Basis of Preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention and certain financial assets and liabilities measured at fair value through profit or loss in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

##### **(b) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the exemption from disclosing the following Information as permitted by the reduced disclosure regime within FRS 102: '

- (i) Section 7 'Statement of Cash Flows' - Presentation of a Statement of cash Flow and related notes and disclosures.
- (ii) Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues-Interest income/expense and net gains/losses for financial Instruments not measured at fair value, amount of any impairment loss, risk arising from financial instruments, and transferred financial asset not derecognised, loan defaults or breaches and descriptions of hedging relationships.
- (iii) Section 33 'Related Party Disclosures' - Compensation for key management personnel

## **Donaldson Filter Components Limited**

### **Notes to the financial statements for the year ended 31 July 2020**

#### **2 Summary of significant accounting policies (continued)**

##### **(c) Going Concern**

The Directors have also considered the latest trading position of the Company and have considered severe but plausible downside scenarios in relation to the impact of COVID-19 in assessing the adoption of the going concern basis of accounting in preparing the annual financial statements, including access to the short-term deposit facility/short-term overdraft agreement with Donaldson Europe B.V

##### **(d) Consolidated financial statements**

The company is a wholly owned subsidiary of Donaldson UK Holding Limited and does not have any investments.

##### **(e) Foreign Currency**

###### *Functional and presentation currency*

The Company's functional and presentation currency is the pound sterling.

###### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses are presented in the profit and loss account within 'administrative expenses'.

##### **(f) Revenue recognition**

Turnover represents amounts receivable for the sale of filtration products, together with silencers and related accessories. These are provided in the normal course of business, net of trade discounts, value added tax and other sales related taxes. Turnover is recognised on the despatch of goods, which is when significant risks and rewards transfer.

##### **(g) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

**Notes to the financial statements for the year ended 31 July 2020**

**2 Summary of significant accounting policies (continued)**

**(g) Tangible fixed assets and depreciation**

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Freehold land & buildings	-	over 25 years
Plant, machinery and fixtures	-	3 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Administrative expenses'.

**(h) Inventories**

Inventories are stated at the lower of cost and net realisable value, being estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined on a first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

At the end of each reporting period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

**(i) Grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to administration expenses over the expected useful life of the relevant asset to match against the depreciation expense. Government grants are recognised on the basis of the accrual model.

**(j) Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

**Notes to the financial statements for the year ended 31 July 2020**

**2 Summary of significant accounting policies (continued)**

**(j) Taxation (continued)**

Current or deferred taxation assets and liabilities are not discounted.

*Current taxation*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred taxation*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**(k) Leased assets**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

*Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**(l) Employment benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, and defined benefit and defined contribution pension plans.

*Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**Notes to the financial statements for the year ended 31 July 2020**

**2 Summary of significant accounting policies (continued)**

**(I) Employee benefits (continued)**

*Defined contribution pension plan*

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

*Defined benefit pension plan*

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

*Defined benefit pension plan*

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- i) the increase in net pension benefit liability arising from employee service during the period; and
- ii) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as 'Other finance income/(expense)'.

Where appropriate, a funding surplus on the Defined Benefit Pension scheme has been recognised as an asset.

**Notes to the financial statements for the year ended 31 July 2020**

**2 Summary of significant accounting policies (continued)**

**(l) Employee benefits (continued)**

*Annual bonus plan*

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

**(m) Financial Instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

*Financial assets*

Basic financial assets, including trade and other receivables, amounts owed by group undertakings and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*Financial liabilities*

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Notes to the financial statements for the year ended 31 July 2020**

**2 Summary of significant accounting policies (continued)**

**(m) Financial Instruments (continued)**

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**(n) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(o) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Provisions and contingencies**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

**(q) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities where applicable.



**Notes to the financial statements for the year ended 31 July 2020**

**3 Critical judgements in applying the entity's accounting policies**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3.1 Critical accounting estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*a) Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 2(9) for the useful economic lives for each class of assets.

*b) Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

*c) Defined Benefit Pension Scheme*

The Company operates a defined benefit pension scheme. In producing an estimated year end position for the scheme the directors use a series of assumptions related to, for example, mortality, inflation and discount rates. In setting these assumptions the directors rely on advice given to them by the scheme actuary although the final decision as to what assumptions are to be used rests with the directors. Details of the assumptions used in the financial statements can be found in note 19.

Where appropriate, a funding surplus on the Defined Benefit Pension scheme has been recognised as an asset, and included within assets.

*d) Inventory provisioning*

The company manufactures air filters which it sells, together with silencers and related accessories, in the heavy equipment, automotive and machinery markets both in the United Kingdom and overseas. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory and associated provision.

## Donaldson Filter Components Limited

### Notes to the financial statements for the year ended 31 July 2020

#### 4 Turnover

All turnover is attributable to the continuing principal activity of the company. An analysis of turnover by geographical market supplied is given below:

	<b>2021</b> £'000	<b>2020</b> £'000
United Kingdom	19,781	20,128
Other European countries	49,014	49,823
Rest of world	7,141	9,216
	<b>75,936</b>	<b>79,167</b>

#### 5 Operating profit

	<b>2021</b> £'000	<b>2020</b> £'000
<b>Operating profit is stated after charging/crediting:</b>		
Depreciation (note 10)	1,446	1,470
Operating lease rentals:		
- plant and machinery	113	210
- land and building	193	193
Audit fees payable to the company's auditors	45	51
Exchange gain on foreign currency	(19)	(127)
Gain on sale of fixed assets (including within admin expenses)	(106)	-
Grant release	(10)	(10)
Furlough Grant	(64)	(102)

**Donaldson Filter Components Limited**

**Notes to the financial statements for the year ended 31 July 2020**

**6 Staff Costs**

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Wages and salaries	8,035	8,731
Temporary labour costs	1,192	582
Social security costs	841	902
Other pensions costs	701	579
	<b>10,769</b>	<b>10,794</b>

The average monthly number of employees (including directors) during the year was:

<b>By activity:</b>	<b>2021</b>	<b>2020</b>
	£'000	£'000
Management - general and administration	49	50
Selling	5	6
Production	211	223
<b>Total</b>	<b>265</b>	<b>279</b>

## Donaldson Filter Components Limited

### Notes to the financial statements for the year ended 31 July 2020

#### 7 Directors' remuneration

The remuneration of the directors was as follows:

	<b>2021</b> £'000	<b>2020</b> £'000
Aggregate remuneration	227	247
	<b>227</b>	<b>247</b>

	<b>2021</b> Number	<b>2020</b> Number
Members of the defined benefit scheme	2	2

#### Highest paid director

The highest paid director's remuneration was as follows:

	<b>2021</b> £'000	<b>2020</b> £'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive scheme:	146	166
Defined benefit pension scheme:		
- Accrued pension at end of year	44	42
- Accrued lump sum at the end of the year	206	197

#### 8 Interest payable and similar expenses

	<b>2021</b> £'000	<b>2020</b> £'000
Intercompany interest	6	27
Other interest	-	7
	6	34

Notes to the financial statements for the year ended 31 July 2020

9 Tax on profit

(a) Tax on profit

	2021 £'000	2020 £'000
<b>Current tax:</b>		
UK corporation tax	1,154	729
Adjustment in respect of prior years	1	(9)
<b>Total current tax</b>	<b>1,155</b>	<b>720</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(20)	107
Change in tax rate	151	53
Adjustment in respect of prior years	(5)	4
<b>Total deferred tax</b>	<b>126</b>	<b>164</b>
<b>Tax on profit</b>	<b>1,281</b>	<b>884</b>

(b) Tax (income) included in other comprehensive income

	2021 £'000	2020 £'000
<b>Deferred tax</b>		
- Origination and reversal of timing differences	(18)	(86)
<b>Total tax (income) included in other comprehensive income</b>	<b>(18)</b>	<b>(86)</b>

## Donaldson Filter Components Limited

### Notes to the financial statements for the year ended 31 July 2020

#### 9 Tax on profit (continued)

##### (c) Reconciliation of tax charge

Tax assessed for the year is higher (2020: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 July 2021 of 19% (2020: 19%). The differences are explained below:

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Profit before taxation	5,967	4,211
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	1,134	800
<b>Effects of:</b>		
- Expenses not deductible for tax purposes	-	36
- Re-measurement of deferred tax change in UK tax rate	151	53
- Adjustment in respect of prior years	(4)	(5)
<b>Total tax charge for the year</b>	<b>1,281</b>	<b>884</b>

##### (d) Factors Affecting Future Charges

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017.

Whilst the 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020, the Budget which took place on 11 March 2020 confirmed the rate of corporation tax would remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. However, the Budget in March 2021 included an announcement to increase the standard rate of corporation tax rate from 19% to 25% from 1 April 2023. This was incorporated into the Finance Act 2021 which received Royal Assent on 10 June 2021. Accordingly, this rate is applicable in the measurements of the deferred tax assets and liabilities at 31 July 2021.

Deferred tax has been provided in the balance sheet at the enacted rate of 25%, being the rate at which temporary differences are expected to reverse.

Notes to the financial statements for the year ended 31 July 2020

**10 Tangible assets**

	Freehold land and buildings £'000	Plant, machinery and fixtures £'000	Total £'000
<b>Cost</b>			
At 1 August 2020	3,717	24,812	28,529
Additions	-	719	719
Disposals	-	(1,081)	(1,081)
<b>At 31 July 2021</b>	<b>3,717</b>	<b>24,450</b>	<b>28,167</b>
<b>Accumulation depreciation</b>			
At 1 August 2020	2,773	18,818	21,591
Charge for the year	38	1,408	1,446
Disposals	-	(1,077)	(1,077)
<b>At 31 July 2021</b>	<b>2,811</b>	<b>19,149</b>	<b>21,960</b>
<b>Net book value</b>			
As at 31 July 2020	944	5,994	6,938
<b>As at 31 July 2021</b>	<b>906</b>	<b>5,301</b>	<b>6,207</b>

The cost of land within freehold land and buildings at 31 July 2021 was £450,000 (2020: £450,000).

Included in the total net book value of plant & machinery was £279,003 (2020: £456,326) in respect of assets in 'construction in progress'.

In the opinion of the directors, there is no material difference between the book value of the fixed assets and market value.

**11 Inventories**

	2021 £'000	2020 £'000
Raw materials and consumables	<b>3,086</b>	3,151
Work in progress	<b>543</b>	527
Finished goods	<b>1,355</b>	1,074
	<b>4,984</b>	4,752

In the opinion of the directors, the replacement cost of inventories is not materially different from the balance sheet value.

Notes to the financial statements for the year ended 31 July 2020

11 Inventories (continued)

The total value of Inventory recognised as an expense in the year was £44,880,800 (2020: £49,505,093). The company recognised £35,509 (2020: £127,317) as an expense in the year in relation to the write-off of inventory.

Inventories are stated after provisions for impairment of £84,655 (2020: £117,164).

12 Debtors

	2021 £'000	2020 £'000
Trade receivables	8,697	8,108
Amounts owed by group undertakings	25,539	28,539
Other receivables	975	161
Corporation Tax	213	630
Prepayments and accrued income	187	524
	<b>35,611</b>	37,962

Amounts owed by group undertakings are unsecured and repayable on demand. These include loans of £14,021,355 (2020: £17,484,901) which accrue interest between LIBOR +1.00, and LIBOR - 0.0050%.

Trade receivables are stated after provisions for impairment of £8,553 (2020: i:-38,916).

All amounts fall due within one year.

13 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	4,377	2,516
Amounts owed by group undertakings	2,110	3,339
Other taxation and social security	234	211
Accruals and deferred income	1,436	966
Deferred government grants	10	10
	<b>8,167</b>	7,042

Amounts owed to group undertakings are unsecured and repayable on demand. This does not include loans.



**Donaldson Filter Components Limited**

**Notes to the financial statements for the year ended 31 July 2020**

**13 Creditors: amounts falling due after more than one year**

	<b>2021</b> £'000	<b>2020</b> £'000
Deferred government grants	<b>20</b>	30

Grants are recognised on a straight line basis over the life of the respective assets and in line with the depreciation expense. There are no unfulfilled conditions/contingencies in relation to these grants.

**15 Deferred tax liabilities**

The deferred tax included in the balance sheet is as follows:

	<b>2021</b> £'000	<b>2020</b> £'000
Capital allowances in advance of depreciation	<b>568</b>	394
Short term temporary differences	<b>(23)</b>	8
Post-employment benefits	<b>89</b>	124
<b>Total provision</b>	<b>634</b>	526

<b>Deferred tax liabilities</b>	<b>Post-employment benefits</b> £'000	<b>Accelerated capital allowances</b> £'000	<b>Other short term temporary differences</b> £'000	<b>Total</b> £'000
<b>Deferred taxation</b>				
At 1 August 2020	124	394	8	526
Charged to the profit and loss account (note 9)	(17)	174	(31)	126
Credited directly to other comprehensive income	(18)	-	-	(18)
<b>At 31 July 2021</b>	<b>89</b>	<b>568</b>	<b>(23)</b>	<b>634</b>

Deferred tax is provided at 25% (2020: 19%) being the rate substantively enacted at the balance sheet date.

## Donaldson Filter Components Limited

### Notes to the financial statements for the year ended 31 July 2020

#### 16 Called up share capital

	2021 £'000	2020 £'000
<b>Allotted, called up and fully paid</b>		
994,999 (2020: 994,999) ordinary shares of £1 each	<b>995</b>	995

All shares rank pari passu in all respects.

#### 17 Equity Dividend

	2021 £'000	2020 £'000
<b>Ordinary shares</b>		
Interim dividend: 9.05p (2020: nil) per £1 share	<b>9,000</b>	-

No final dividend has been proposed (2020:£nil).

#### 18 Capital commitments

At 31 July the company had the following capital commitments:

	2021 £'000	2020 £'000
Contracted for but not provided for	<b>89</b>	375

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings 2021 £'000	Land and buildings 2020 £'000	Plant and machinery 2021 £'000	Plant and machinery 2020 £'000
Operating leases which expire within:				
Not later than one year	<b>129</b>	-	<b>27</b>	9
Later than one year and not later than five	-	322	<b>126</b>	196
	<b>129</b>	322	<b>153</b>	205

Notes to the financial statements for the year ended 31 July 2020

19 Pension commitments

For certain employees, the company operates a defined benefit pension scheme with assets held in a separately administered fund, Donaldson (UK) Pension and Death Benefits Plan. The scheme provides retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The Company has agreed a funding plan with the trustee, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary.

As the plans mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. During 2019, the trustees of the pension scheme authorised an investment strategy review of the schemes assets. As a result of this report, the trustees adopted the recommendations of the investment consultant and moved the scheme assets into Diversified Growth Fund investment funds and Liability Driven Investment funds.

The next triennial actuarial valuation of the scheme is due in 2022.

The amount recognised in the profit and loss account is as follows:

	2021 £'000	2020 £'000
Defined benefit scheme		
- Current service cost	443	321
- Losses due to benefit changes	-	-
<b>Total charge in operating profit</b>	<b>443</b>	<b>321</b>
<b>Defined benefit scheme</b>		
- Net interest income	(9)	(24)
<b>Total Charge</b>	<b>434</b>	<b>297</b>

The amount recognised in the balance sheet is as follows:

	31 July 2021 £'000	31 July 2020 £'000
Total market value of scheme assets	31,949	30,535
Present value of scheme liabilities	(31,592)	(29,881)
<b>Gross scheme surplus</b>	<b>357</b>	<b>654</b>
Deferred tax	(89)	(124)
<b>Net pension surplus</b>	<b>268</b>	<b>530</b>

## Donaldson Filter Components Limited

### Notes to the financial statements for the year ended 31 July 2020

#### 19 Pension commitments (continued)

A comprehensive actuarial valuation of the company pension scheme, using the projected unit credit basis, was carried out at 31 March 2019 and updated to 31 July 2021 by Mercer LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	<b>31 July 2021</b> <b>% per annum</b>	<b>31 July 2020</b> <b>% per annum</b>
RPI Inflation	<b>3.30%</b>	2.80%
CPI Inflation	<b>2.80%</b>	2.30%
Salary increases	<b>2.50%</b>	2.50%
Discount rate	<b>1.60%</b>	1.60%
Allowance for revaluation of deferred pensions of CPI or 5% if less	<b>2.80%</b>	2.30%
Allowance for pension in payment increases of RPI or 5% if less	<b>3.15%</b>	2.75%
Allowance for pension in payment increases of CPI or 3% or less	<b>2.20%</b>	1.95%
Allowance for pension in payment increases of RPI or 2.5% if less	<b>2.15%</b>	1.95%
Allowance for communication of pension for cash at retirement	<b>100% of Post A Day</b>	100% of Post A Day

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK.

The mortality assumptions adopted at 31 July 2021 imply the following life expectancies:

Male retiring at age 65 in 2021	23.1
Female retiring at age 65 in 2021	24.2
Male retiring at age 65 in 2041	24.4
Female retiring at age 65 in 2041	25.7

The mortality assumptions adopted at 31 July 2020 were: Male retiring at age 65 in 2020 23.0

Female retiring at age 65 in 2020	24.2
Male retiring at age 65 in 2040	24.4
Female retiring at age 65 in 2040	25.7

**Donaldson Filter Components Limited****Notes to the financial statements for the year ended 31 July 2020****19 Pension commitments (continued)**

Reconciliation of scheme assets and liabilities.

	<b>Assets</b> £'000	<b>Liabilities</b> £'000	<b>Total</b> £'000
At 1 August 2020	30,535	(29,881)	654
Benefits paid	(424)	424	-
Employer contributions	232	-	232
Plan participant contributions	100	(100)	-
Current service costs	-	(443)	(443)
Interest income / (expense)	488	(479)	9
Remeasurement gains / (losses)	1,018	(1,113)	(95)
<b>At 31 July 2021</b>	<b>31,949</b>	<b>(31,592)</b>	<b>357</b>

Defined benefit costs recognised in other comprehensive income

	<b>2021</b> £'000	<b>2020</b> £'000
Return on plan assets	<b>1,018</b>	2,024
Experience gains & losses	<b>301</b>	464
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – gain (loss)	<b>(1,414)</b>	(2,943)
Total amount recognised in other comprehensive income – gain (loss)	<b>(95)</b>	(455)

Donaldson Filter Components Limited

Notes to the financial statements for the year ended 31 July 2020

19 Pension commitments (continued)

Total cost recognised as an expense:

	<b>2021</b> £'000	<b>2020</b> £'000
Current service cost	<b>443</b>	321
Net interest income	<b>(9)</b>	(24)
Losses due to benefit changes	-	-
<b>Total expense</b>	<b>434</b>	297

The fair value of the plan assets was:

	<b>2021</b> £'000	<b>2020</b> £'000
Diversified Growth Funds	<b>22,641</b>	20,419
Cash	-	9
Liability Driven Investments	<b>9,308</b>	10,107
<b>Total assets</b>	<b>31,949</b>	30,535

## Donaldson Filter Components Limited

### Notes to the financial statements for the year ended 31 July 2020

#### 19 Pension commitments (continued)

The plan assets do not include any of the Group's financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

	<b>2021</b>	<b>2020</b>
	£'000	£'000
Interest income	<b>488</b>	588
Remeasurements	<b>1,018</b>	2,024
<b>Total return on plan assets</b>	<b>1,506</b>	2,612

The best estimate of contributions to be paid by the company to the scheme for the year beginning 1 August 2021 is £224,000 (year beginning 1 August 2020 - £233,600)

#### Defined contribution schemes

The company made contributions during the year to defined contribution schemes of £117,045 (2020: £103,572).

#### Auto enrollment scheme

The company made contributions during the year to the auto enrolment scheme of £140,601 (2020: £152,503).

Notes to the financial statements for the year ended 31 July 2020

20 Financial instruments

The Company has the following financial instruments:

	31 July 2021 £'000	31 July 2020 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
- Trade receivables	<b>8,697</b>	8,108
- Amounts owed by Group undertakings	<b>25,539</b>	28,539
- Other receivables	<b>975</b>	161
	<b>35,211</b>	36,808
<b>Financial liabilities measured at amortised cost</b>		
- Trade creditors	<b>4,377</b>	2,516
- Accruals	<b>1,446</b>	976
- Other creditors	<b>234</b>	211
- Amounts owed to Group undertakings	<b>2,110</b>	3,339
	<b>8,167</b>	7,042

**Derivative financial instruments - Forward contracts**

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 July 2021, the Company's outstanding contracts all mature within 12 months (2020: 12 months) of the year end. The Company is committed to sell €3.6 million (2020: sell €3.7 million)

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The net fair value of the forward-foreign currency contracts is £5,087 asset (2020: £35,705 asset).

These are disclosed within other receivables (2020: other receivables).



## **Donaldson Filter Components Limited**

### **Notes to the financial statements for the year ended 31 July 2020**

#### **21 Ultimate controlling party**

The immediate parent company is Donaldson UK Holding Limited.

The directors regard Donaldson Company Inc, incorporated in the United States of America, as the ultimate parent undertaking and the ultimate controlling party.

Donaldson Company Inc is the parent company of the smallest and largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from 1400 West 94<sup>th</sup> Street, PO Box 1299, Minneapolis, Minnesota, USA.

As a subsidiary undertaking of Donaldson Company Inc, the company has taken advantage of the exemption in FRS 102 "Related party disclosures" from disclosing transactions with other members of the group headed by Donaldson Company Inc.