

**Donaldson Filter Components Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 July 2018**

**Registered Number: 01222246**



# Donaldson Filter Components Limited

## Contents

	<b>Page</b>
Directors and advisers for the year ended 31 July 2018.....	1
Strategic Report for the year ended 31 July 2018 .....	2
Directors' report for the year ended 31 July 2018.....	4
Independent auditors' report to the members of Donaldson Filter Components Limited .....	7
Profit and loss account for the year ended 31 July 2018.....	9
Statement of comprehensive income for the year ended 31 July 2018.....	9
Balance sheet as at 31 July 2018 .....	10
Statement of changes in equity for the year ended 31 July 2018.....	11
Notes to the financial statements for the year ended 31 July 2018.....	12

# Donaldson Filter Components Limited

## Directors and advisers for the year ended 31 July 2018

### Directors

D I Jowett  
W Vermeersch  
D J King  
S J Robinson  
C Cook

### Company secretary

Rollits Company Secretaries Limited

### Registered Office

Citadel House  
58 High Street  
Hull  
East Riding of Yorkshire  
HU1 1QE

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### Solicitors

Dorsey & Whitney  
21 Wilson Street  
London  
EC2M 2TD

### Bankers

Lloyds Bank  
25 Gresham Street  
London  
EC2V 7HN

### Fortis Bank

Vital Decosterstraat 42  
3000 Leuven  
Belgium

### BBL (ING) Bank

Bondgenotenlaan 31  
3000 Leuven  
Belgium

### KBC Bank

Leuven Bedrijvenkantoor  
Interleuvenlaan 15 bus C  
3001 Heverlee  
Belgium

# Donaldson Filter Components Limited

## Strategic report for the year ended 31 July 2018

### Introduction

The directors present their strategic report for the year ended 31 July 2018.

### 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 2018 the turnover increased from £77.1m to £85.6m.

The profit for the financial year to 31 July 2018 was £3.9m (2017: £3.0m).

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 2019, 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.

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 and people

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.

# Donaldson Filter Components Limited

## Strategic report for the year ended 31 July 2018 (continued)

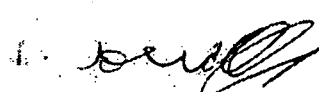
- Continuous improvement of all processes and project management controls to ensure both technical and business objectives are achieved
- Focus on production quality through plant and supplier improvement plans
- Providing duality of capability through establishment of world-class manufacturing facilities

### Key performance indicators ("KPI's")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the board on January 23 and signed on its behalf.

D I Jowett  
Director  
23 January 2019



# Donaldson Filter Components Limited

## Directors' report for the year ended 31 July 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 July 2018.

### Results and dividends

The company's profit for the financial year was £3,929,000 (2017: £2,973,000). The company paid an interim dividend of £nil (2017: £7.5m) during the year. No final dividend has been paid or proposed (2017: £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 a 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 (2017: 100%) at variable interest rate. Further to 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 repayable within one year.

# Donaldson Filter Components Limited

## Directors' report for the year ended 31 July 2018 (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.

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations:

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# Donaldson Filter Components Limited

## Directors' report for the year ended 31 July 2018 (continued)

### Statement of directors' responsibilities (continued)

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.

### 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

In the absence of any notice proposing to terminate their appointment, PricewaterhouseCoopers LLP will be deemed to be reappointed for the next financial year. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board

D I Jowett  
Director  
23 January 2019





# Donaldson Filter Components Limited

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

### Report on the audit of the financial statements

---

#### Opinion

In our opinion, Donaldson Filter Components Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 July 2018; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### 1. Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

---

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

# Donaldson Filter Components Limited

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## 2. Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### 3. Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5 and 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### 4. Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### 5. Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

---

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Randal Casson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
23 January 2019

## Donaldson Filter Components Limited

### Profit and loss account for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Turnover	4	85,614	77,098
Cost of Sales		(52,663)	(45,731)
Gross Profit		32,951	31,367
Administrative expenses		(28,114)	(27,686)
Other operating income		-	-
<b>Operating profit</b>	5	4,837	3,681
Interest receivable and similar income		4	4
Interest payable and similar expenses	8	(4)	(24)
Other finance income	19	34	6
<b>Profit before taxation</b>		4,871	3,667
Tax on profit	9	(942)	(694)
<b>Profit for the financial year</b>		3,929	2,973

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 pages 12 to 34 form part of these financial statement

### Statement of comprehensive income for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
<b>Profit for the financial year</b>		3,929	2,973
Remeasurement of net defined benefit liability	19	470	1,210
Movement on deferred tax relating to pension scheme	9	(89)	(238)
<b>Total comprehensive income for the year</b>		4,310	3,945


# Donaldson Filter Components Limited

## Balance sheet as at 31 July 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets		1	2
Tangible assets	10	5,379	6,152
		5,380	6,154
<b>Current assets</b>			
Inventories	11	6,064	5,748
Debtors	12	33,230	24,422
Cash at bank and in hand		3,243	4,439
<b>Total assets</b>		42,537	34,609
<b>Creditors: amounts falling due within one year</b>	13	(13,155)	(9,854)
<b>Net current assets</b>		29,382	24,755
<b>Total assets less current liabilities</b>		34,762	30,909
Creditors: amounts falling due after more than one year	14	(50)	(70)
Deferred tax liabilities	15	(523)	(498)
<b>Net assets (excluding pension asset)</b>		34,189	30,341
Pension asset	19	1,802	1,340
<b>Net assets including pension asset</b>		35,991	31,681
<b>Capital and reserves</b>			
Called up share capital	16	995	995
Share premium account		1,582	1,582
Profit and loss account		33,414	29,104
<b>Total shareholders' funds</b>		35,991	31,681

The notes on pages 12 to 34 form part of these financial statements.

The financial statements on pages 9 to 34 were approved by the board of directors on and were signed on its behalf by:

  
D I Jowett  
Director  
Registered Number 01222246

## Donaldson Filter Components Limited

### Statement of changes in equity for the year ended 31 July 2018

	Called up share capital	Share premium account	Profit and loss account	Total shareholder s' funds
	£'000	£'000	£'000	£'000
Balance at 1 August 2016	995	1,582	32,659	35,236
Profit for the financial year	-	-	2,973	2,973
Other comprehensive income/(expense) for the financial year	-	-	972	972
<b>Total comprehensive income for the year</b>	-	-	<b>3,945</b>	<b>3,945</b>
Total transactions with owners recognised directly in equity	-	-	(7,500)	(7,500)
<b>Total equity at 31 July 2017</b>	<b>995</b>	<b>1,582</b>	<b>29,104</b>	<b>31,681</b>
Balance at 1 August 2017	995	1,582	29,104	31,681
Profit for the financial year	-	-	3,929	3,929
Other comprehensive income for the financial year	-	-	381	381
<b>Total comprehensive income for the year</b>	-	-	<b>4,310</b>	<b>4,310</b>
<b>Balance as at 31 July 2018</b>	<b>995</b>	<b>1,582</b>	<b>33,414</b>	<b>35,991</b>

The notes on pages 12 to 34 form part of these financial statements.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 1 Statement of compliance

The individual financial statements of Donaldson Filter Components Limited have been prepared in compliance with United Kingdom Accounting Standards, 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) Going Concern

The Company meets its day-to-day working capital requirements through its group facilities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its group facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### (c) 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.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### Exemptions for qualifying entities under FRS 102 (continued)

The Company has taken advantage of the following exemptions on the basis that it is a qualifying entity and its ultimate parent company, Donaldson Company Inc, includes equivalent disclosures in its own consolidated financial statements:

- (i) IFRS 7, 'Financial Instruments: Disclosures'
- (ii) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- (iii) IAS 7, The requirement to prepare a statement of cash flows
- (iv) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- (v) Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- (vi) Certain financial instrument disclosures given equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- (vii) The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- (viii) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements

### (d) Consolidated financial statements

The company is a wholly owned subsidiary of Donaldson UK Holding Limited and of its ultimate parent, Donaldson Company Inc. It is included in the consolidated financial statements of Donaldson Company Inc, which are publicly available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

### (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

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### (e) Foreign Currency (continued)

#### *Transactions and balances (continued)*

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'.

#### 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.

### (f) 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 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



# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### (h) Inventories (continued)

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.

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.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### (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) Employee 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.

#### *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'.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### (l) Employee benefits (continued)

#### *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)'.

#### *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

### (m) Financial Instruments (continued)

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

### **Financial liabilities (continued)**

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.

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.

### **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.

### **(n) 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.

### **(o) 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.

### **(p) 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.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 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 judgements and estimated uncertainty

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(g) 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.

##### 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 2018

### 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:

	2018	2017
	£'000	£'000
United Kingdom	19,466	17,268
Other European countries	60,029	51,474
Rest of the world	6,119	8,356
	85,614	77,098

### 5 Operating profit

	2018	2017
	£'000	£'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation (note 10)	1,316	1,299
Operating lease rentals:		
- plant and machinery	188	176
- land and buildings	158	142
Audit fees payable to the company's auditors	47	47
Exchange (gain)/loss on foreign currency	107	301
(Gain)/Loss on sale of fixed assets (included within admin expenses)	(16)	(117)
Grant release	(20)	=

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 6 Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	9,981	9,108
Social security costs	963	827
Other pensions costs	436	557
	11,380	10,492

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

By activity:	2018	2017
	Number	Number
Management – general and administration	56	54
Selling	7	7
Production	245	229
<b>Total</b>	<b>308</b>	<b>290</b>

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 7 Directors' remuneration

The remuneration of the directors was as follows:

	2018 £'000	2017 £'000
Aggregate remuneration	206	160
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	-
	206	160

	2018 Number	2017 Number
Members of the defined benefit scheme	2	2

#### Highest paid director

The highest paid director's remuneration was as follows:

	2018 £'000	2017 £'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive scheme:	127	129
Defined benefit pension scheme:		
- Accrued pension at end of year	38	36
- Accrued lump sum at the end of the year	187	181

### 8 Interest payable and similar expenses

	2018 £'000	2017 £'000
Intercompany interest	4	20
Other interest	-	4
	4	24



# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 9 Tax on profit

#### (a) Tax on profit on ordinary activities

	2018	2017
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax	1,000	786
Adjustment in respect of prior years	6	6
<b>Total current tax</b>	<b>1,006</b>	<b>792</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(56)	(46)
Change in tax rate	(3)	(46)
Adjustment in respect of prior years	(5)	(6)
<b>Total deferred tax</b>	<b>(64)</b>	<b>(98)</b>
<b>Tax on profit</b>	<b>942</b>	<b>694</b>

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

	2018	2017
	£'000	£'000
<b>Deferred tax</b>		
- Origination and reversal of timing differences	89	238
<b>Total tax income/(expense) included in other comprehensive income</b>	<b>89</b>	<b>238</b>

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 9 Tax on profit (continued)

#### (c) Reconciliation of tax charge

Tax assessed for the year is higher (2017: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 July 2018 of 19% (2017: 19.67%). The differences are explained below:

	2018	2017
	£'000	£'000
Profit before taxation	4,871	3,667
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.67%)	925	721
Effects of:		
- Expenses not deductible for tax purposes	19	19
- Re-measurement of deferred tax- change in UK tax rate	(3)	(46)
- Adjustment in respect of prior years	1	-
<b>Total tax charge for the year</b>	<b>942</b>	<b>694</b>

#### (d) Factors affecting future charges

The Finance (No2) Act 2015 received Royal Assent on 18 November 2015 and announced a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 with a further reduction to 18% from April 2020. The finance Act 2016 received Royal Assent on 15 September 2016 and announced a further 1% on the main rate of corporation tax from 1 April 2020. Deferred tax has been provided in the balance sheet at these enacted rates.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 10 Tangible assets

	Freehold land and buildings £'000	Plant, machinery and fixtures £'000	Total £'000
<b>Cost</b>			
At 1 August 2017	3,717	21,358	25,075
Additions	-	559	559
Disposals	-	(610)	(610)
<b>At 31 July 2018</b>	<b>3,717</b>	<b>21,307</b>	<b>25,024</b>
<b>Accumulated depreciation</b>			
At 1 August 2017	2,655	16,268	18,923
Charge for the year	40	1,276	1,316
Disposals	-	(594)	(594)
<b>At 31 July 2018</b>	<b>2,695</b>	<b>16,950</b>	<b>19,645</b>
<b>Net book value</b>			
As at 31 July 2017	1,062	5,090	6,152
<b>As at 31 July 2018</b>	<b>1,022</b>	<b>4,357</b>	<b>5,379</b>

The cost of land within freehold land and buildings at 31 July 2018 was £450,000 (2017: £450,000).

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

### 11 Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	3,353	3,380
Work in progress	473	400
Finished goods	2,238	1,968
	<b>6,064</b>	<b>5,748</b>

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

The total value of inventory recognised as an expense in the year was £52,662,936 (2017: £45,730,735). The company recognised £31,674 as a charge in the year in relation to the write-off of stock.

Inventories are stated after provisions for impairment of £160,155 (2017: £141,524).

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 12 Debtors

	2018	2017
	£'000	£'000
Trade receivables	9,598	8,726
Amounts owed by group undertakings	22,861	14,937
Other receivables	286	240
Prepayments and accrued income	485	519
	33,230	24,422

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. These include loans of £10,949,504 (2017: £4,891,857) which accrue interest at LIBOR +0.25%.

Trade receivables are stated after provisions for impairment of £41,978 (2017: £42,085).

All amounts fall due within one year.

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

	2018	2017
	£'000	£'000
Trade creditors	3,436	3,190
Amounts owed to group undertakings	7,800	4,778
Other taxation and social security	240	223
Corporation tax	443	290
Accruals and deferred income	1,226	1,363
Deferred government grants	10	10
	13,155	9,854

Amounts owed to group undertakings are unsecured and repayable on demand. These include loans of £5,509,675 (2017: £3,573,569) which accrue interest at LIBOR +0.25%.

### 14 Creditors – amounts falling due after more than one year

	2018	2017
	£'000	£'000
Deferred government grants	50	70

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.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 15 Deferred tax liabilities

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

	2018 £'000	2017 £'000
Capital allowances in advance of depreciation	217	270
Post-employment benefits	306	228
<b>Total provision</b>	<b>523</b>	<b>498</b>

Deferred tax liabilities	Post-employment benefits £'000	Accelerated capital allowances £'000	Total £'000
<b>Deferred taxation:</b>			
At 1 August 2017	228	270	498
Credited to the profit and loss account (note 9)	(11)	(53)	(64)
Charged directly to other comprehensive income	89	-	89
<b>At 31 July 2018</b>	<b>306</b>	<b>217</b>	<b>523</b>

Deferred tax is provided at 17% (2017: 17%) being the rate substantively enacted at the balance sheet date.

### 16 Called up share capital

	2018 £'000	2017 £'000
<b>Allotted, called up and fully paid</b>		
994,999 (2017: 994,999) ordinary shares of £1 each	995	995

All shares rank pari passu in all respects.

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 17 Equity Dividend

	2018	2017
	£'000	£'000
<b>Ordinary Shares</b>		
£nil (2017: 7.54) per share	-	7,500

No final dividend has been proposed (2017: nil).

### 18 Capital commitments

At 31 July 2018, the company had the following capital commitments:

	2018	2017
	£'000	£'000
Contracted for but not provided for	131	78

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

	Land and buildings 2018 £'000	Land and buildings 2017 £'000	Plant and machinery 2018 £'000	Plant and machinery 2017 £'000
Operating leases which expire within:				
Not later than one year	105	105	156	145
Later than one year and not later than five	-	-	124	162
	105	105	280	307

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 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 the prior year, 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 amount recognised in the profit and loss account is as follows:

	2018 £'000	2017 £'000
<b>Defined benefit scheme</b>		
- Current service cost	297	422
<b>Total charge in operating profit</b>	<b>297</b>	<b>422</b>
<b>Defined benefit scheme</b>		
-- Net interest income	34	6
<b>Total Charge</b>	<b>331</b>	<b>428</b>

The amount recognised in the balance sheet is as follows:

	31 July 2018 £'000	31 July 2017 £'000
Total market value of scheme assets	25,004	24,429
Present value of scheme liabilities	(23,202)	(23,089)
<b>Gross scheme surplus</b>	<b>1,802</b>	<b>1,340</b>
Deferred tax	(306)	(228)
<b>Net pension surplus</b>	<b>1,496</b>	<b>1,112</b>

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 19 Pension commitments (continued)

A comprehensive actuarial valuation of the company pension scheme, using the projected unit credit basis, was carried out at 1 April 2013 by Mercer LLC, independence consulting actuaries and were reflected in the 31 March 2016 valuation. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 July 2018 % per annum	31 July 2017 % per annum
RPI Inflation	3.20%	3.20%
CPI Inflation	2.20%	2.20%
Salary increases	2.50%	2.50%
Discount rate	2.70%	2.60%
Allowance for revaluation of deferred pensions of CPI or 5% if less	2.20%	2.20%
Allowance for pension in payment increases of RPI or 5% if less	3.10%	3.10%
Allowance for pension in payment increases of CPI or 3% if less	2.20%	2.20%
Allowance for pension in payment increases of RPI or 2.5% if less	2.10%	2.10%
Allowance for commutation of pension for cash at retirement	100% of Post A Day	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 2018 imply the following life expectancies:

Male retiring at age 65 in 2018	21.9
Female retiring at age 65 in 2018	23.8
Male retiring at age 65 in 2038	23.3
Female retiring at age 65 in 2038	25.4

The mortality assumptions adopted at 31 July 2017 were:

Male retiring at age 65 in 2017	22.1
Female retiring at age 65 in 2017	23.9
Male retiring at age 65 in 2037	23.5
Female retiring at age 65 in 2037	25.4



# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 19 Pension commitments (continued)

Reconciliation of scheme assets and liabilities.

	Assets £'000	Liabilities £'000	Total £'000
At 1 August 2017	24,429	(23,089)	1,340
Benefits paid	(311)	311	-
Employer contributions	255	-	255
Plan participant contributions	118	(118)	-
Current service costs	-	(297)	(297)
Interest income/(expense)	636	(602)	34
Remeasurement gains/ (losses)	(123)	593	470
<b>At 31 July 2018</b>	<b>25,004</b>	<b>(23,202)</b>	<b>1,802</b>

Total cost recognised as an expense:

	2018 £'000	2017 £'000
Current service cost	297	422
Net interest income	(34)	(6)
<b>Total expense</b>	<b>263</b>	<b>416</b>

The fair value of the plan assets was:

	2018 £'000	2017 £'000
Diversified Growth Funds	16,362	16,286
Cash	57	77
Liability Driven Investments	8,585	8,066
<b>Total assets</b>	<b>25,004</b>	<b>24,429</b>

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 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:

	2018 £'000	2017 £'000
Interest income	636	562
Remeasurements	(123)	1,533
<b>Total return on plan assets</b>	<b>513</b>	<b>2,095</b>

The best estimate of contributions to be paid by the company to the scheme for the year beginning 1 August 2018 is £255,000 (year beginning 1 August 2017 - £239,000)

#### Defined contribution schemes

The company made contributions during the year to defined contribution schemes of £79,059 (2017: £55,805).

#### Auto enrolment scheme

The company made contributions during the year to the auto enrolment scheme of £102,432 (2017: £78,514).

# Donaldson Filter Components Limited

## Notes to the financial statements for the year ended 31 July 2018

### 20 Financial instruments

The Company has the following financial instruments:

	31 July 2018 £'000	31 July 2017 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
- Trade receivables	9,598	8,726
- Amounts owed by Group undertakings	22,861	14,937
- Other receivables	286	240
	<b>32,745</b>	<b>24,180</b>
<b>Financial liabilities measured at amortised cost</b>		
- Trade creditors	3,436	3,190
- Accruals	1,226	1,363
- Other creditors	240	223
- Amounts owed to Group undertakings	7,800	4,778
	<b>12,702</b>	<b>9,554</b>

#### 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 2018, the Company outstanding contracts all mature within 12 months (2017: 12 months) of the year end. The Company is committed to sell \$0.4 million and sell €3.95 million (2017: buy \$ 5.92 million, sell €5.94 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 £5,445 liability (2017: £9,000 liability).

These are disclosed within other creditors.

# **Donaldson Filter Components Limited**

## **Notes to the financial statements for the year ended 31 July 2018**

### **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 9<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.

### **22 Subsequent events**

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. We are working with the trustees of our pension schemes, and our actuarial and legal advisers, to understand the extent to which the judgement crystallises additional liabilities on our pension schemes. The impact of this on Donaldson Filter Components pension scheme is currently being evaluated but for typical schemes it is estimated to be between 1% and 3% of total scheme liabilities.