Company registered no: 1404355

Camfil Limited

Annual report and financial statements

for the year ended 31 December 2018

Camfil Limited

Contents

Camfil Limited

Board of Directors and Advisers

Officers and professional advisors

Directors
W H Wilkinson
C Ecob
C Mansfield
D Moulton
M U Simmons
R M Taylor
J Dagnall (Appointed 2 January 2018)
T Hannon (Appointed 1 August 2018)
D Donovan (Appointed 1 January 2019)

Secretary
C Mansfield

Registered office
Knowsley Road
Haslingden
Lancashire
BB4 4EG

Bankers
Skandinaviska Enskilda Banken
One Carter Lane
London
EC4V 5AN

Solicitors
Eversheds LLP
70 Great Bridgewater Street
Manchester
M1 5ES

Independent auditors
KPMG LLP
Chartered Accountants and Statutory Auditors
1 St Peter's Square
Manchester
M2 3AE

Strategic Report

The directors of Camfil Limited (the "company") present their strategic report for the year ended 31 December 2018.

Principal activities

The principal activity of the company is the manufacture of filtration products and the provision of associated support services.

Review of the business

The company continues to perform well and the directors are pleased with progress.

The company made a profit for the financial year amounting to £3,029k (2017: £2,685k). At the year end the company had net assets of £11,583k (2017: £10,054k).

Turnover increased during the year by 3.0% to £27,052k (2017: £26,275k).

Key performance indicators ("KPIs")

The directors are committed to their principal markets and expect the business to continue to grow in the future.

The company uses a number of key financial performance indicators in assessing the performance. The key financial performance indicators used by the company are as follows:

	2018	2017	Change	**Definition method of calculation and analysis**
	£'000	£'000	%	
Turnover	**£27,052**	£26,275	2.96%	The increase in sales is due to various sales initiatives.
Gross margin	**41.0%**	39.0%	2.00%	Gross margin is a ratio of gross profit to sales expressed as a percentage. It has shown an increase due to changes in the customer base and product mix of sales. We also continue to experience exchange rate pressure on the costs of our imported raw materials and goods for resale.
Operating profit	**£4,183**	£4,122	1.48%	Operating profit has improved as we have undertaken structured changes to reduce costs.
Stock turnover	**43.9 days**	37.4 days	+6.5 days	The ratio of year-end stock to cost of sales for the year multiplied by 365 days.
Trade debtors days	**61.4 days**	60.6 days	+0.8 days	The ratio of year-end trade debtors to sales for the year multiplied by 365 days.
Trade creditors days	**47.3 days**	43.0 days	+4.3 days	The ratio of year-end trade creditors to cost of sales for the year multiplied by 365 days.

Future developments

The Company will continue to grow both turnover and operating profit. The Company will also continue to invest in order to maintain current market share and future expectations.

Principal risks and uncertainties

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

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

Principal risks and uncertainties (continued)

Non-financial risks

The key business risks affecting the company are set out below:

Competition

The company operates in a highly competitive market particularly around price and product availability/quality. This results not only in downward pressure on margins but also in the risk that customer expectations will not be met. In order to mitigate this risk the sales team monitor market prices on an ongoing basis and have been given full responsibility for pricing goods within their local region. Furthermore, routine market research is undertaken to understand our customers' expectations and whether their needs are being met.

Employees

The company's performance depends largely on its key managers; the resignation of key individuals and the inability to recruit people with the right experience could adversely impact the company's results. To mitigate these issues the group have implemented a number of schemes linked to the company's results that are designed to retain key individuals.

Supply Chain

Given the company's focus on a quality product and service it is exposed to potential supply chain disruptions due to delays/losses of stock in transit. The company mitigates this risk through effective supplier selection and procurement practices supplemented by appropriate insurance coverage.

Product obsolescence

The company's focus on quality products also exposes it to potential product obsolescence due to technical advances in the market. The company monitors stock turnover as a KPI and given that all manufacturing is operated from one site management are able to supervise this closely.

Brexit

The Company is exposed to Brexit via imports and to a lesser extent exports with EU and the employment of staff who are originally from the EU. We have mitigated these risks by having regular internal meetings to ensure all management and staff are fully informed as possible and specifically as follows:

- Increased stock levels by £350k
- Imports - Applied for and been accepted for Transitional simplified procedures with HMRC. Appointed import agent to complete import declarations for us. Set up internal procedures to capture additional data and documentation required for imports. Liased fully with suppliers in EU
- Exports – Liaising with customers. Ensuring data required is obtained eg customer EORI numbers. Ensuring staff aware of additional documentation requirements. Appointing agent to complete export declarations for us
- Staff -ensure staff aware of and applying for the EU Settlement scheme.
- Costs – undertaken review of potential price increases which would be required should additional duty and import tariffs have to be paid.

Approved and signed on behalf of the board by:

Tracy Hannon.

T Hannon
Director
7th October 2019

Knowsley Road
Haslingden
Lancashire
BB4 4EG

Directors' Report

The directors Camfil Limited (the "company") present their report and the audited financial statements of the company for the year ended 31 December 2018.

Dividends

The directors authorised the payment of dividends of £1,500k (£0.441 per share) in relation to the ordinary shares in the year (2017: £1,500k (£0.441 per share)). The directors do not recommend the payment of a final dividend.

Financial risk management

The company uses financial instruments; these include a bank overdraft, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below:

- *Liquidity risk* - The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short term flexibility is achieved by an overdraft facility.
- *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 directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.
- *Interest rate cash flow risk* - The company has both interest bearing assets and interest bearing liabilities. The directors will revisit the appropriateness of the current policy should the company's operations change in size or nature.
- *Credit risk* - The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is minimal. The directors do not consider there to be any material credit risk given the nature of the business and strong credit control department.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

W H Wilkinson
C Ecob
C Mansfield
D Moulton
M U Simmons
A O'Connell (Resigned 31 December 2018)
R M Taylor
J Dagnall (Appointed 2 January 2018)
T Hannon (Appointed 1 August 2018)
D Donovan (Appointed 1 January 2019)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and Officers' liability insurance in respect of itself and its directors.

Disabled employees

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee consultation

The company maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the company as a whole

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm, that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved and signed on behalf of the board by:

Tracy Hannon.

T Hannon
Director

7th October 2019

Knowsley Road
Haslingden
Lancashire
BB4 4EG

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent Auditors' Report to the Members of Camfil Limited

Opinion

We have audited the financial statements of Camfil Limited ("the company") for the year ended 31 December 2018, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

KPMG

Independent Auditors' Report to the Members of Camfil Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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, 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Roger Nixon

Roger Nixon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

8 October 2019

Camfil Limited

Profit And Loss Account And Other Comprehensive Income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	**27,052**	26,275
Cost of sales		**(15,938)**	(16,028)
Gross profit		**11,114**	10,247
Administrative expenses		**(2,235)**	(1,314)
Distribution costs		**(4,696)**	(4,811)
Operating profit	4	**4,183**	4,122
Interest receivable and similar income	7	**21**	-
Interest payable and similar expenses	8	**(394)**	(778)
Profit before taxation		**3,810**	3,344
Tax on profit	9	**(781)**	(659)
Profit for the financial year		**3,029**	2,685
Total comprehensive income		**3,029**	2,685

All of the activities of the company are classed as continuing in the current and prior year.

The notes on page 12 to 22 form an integral part of these financial statements.

Camfil Limited

Balance Sheet
at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	12	5,402	5,901
		5,402	5,901
Current assets			
Stocks	13	1,915	1,843
Debtors	14	5,457	4,577
Cash at bank and in hand		6,511	5,006
		13,883	11,226
Creditors: amounts falling due within one year	15	(7,604)	(6,944)
Net current assets		6,279	4,282
Total assets less current liabilities		11,681	10,183
Provision for liabilities	16	(98)	(129)
Net assets		11,583	10,054
Capital and reserves			
Called up share capital	18	3,405	3,405
Other reserves		27	27
Retained earnings		8,151	6,622
Total equity		11,583	10,054

The notes on pages 12 to 22 form an integral part of the financial statements.

The financial statements on pages 9 to 22 were approved by the board of directors on 7th October 2019 and signed on their behalf by:

Tracy Hannon

T Hannon
Director

Camfil Limited
Registered number: 1404355

Camfil Limited

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2017	3,405	27	5,437	8,869
Profit for the financial year	-	-	2,685	2,685
Dividend paid	-	-	(1,500)	(1,500)
Total transactions with owners, recognised directly in equity	-	-	(1,500)	(1,500)
As at 31 December 2017	**3,405**	**27**	**6,622**	**10,054**
Profit for the financial year	-	-	3,029	3,029
Dividends paid	-	-	(1,500)	(1,500)
Total transactions with owners, recognised directly in equity	-	-	(1,500)	(1,500)
As at 31 December 2018	**3,405**	**27**	**8,151**	**11,583**

Notes to the Financial Statements

1. Accounting policies

Camfil Limited is a private limited company incorporated, domiciled and registered in England in the UK. The registered number is 1404355 and the registered address is Knowsley Road, Haslingden, Lancashire, BB4 4EG.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom Republic of Ireland' ("FRS 102"). The presentation currency of these financial statement is sterling. All amounts in the financial statements haw been rounded to the nearest £1,000.

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The company's ultimate parent undertaking, Camfil AB includes the company in its consolidated financial statements. The consolidated financial statements of Camfil AB are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Sveavagen 56 E SE-11134 Stockholm, Sweden. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Camfil AB include the disclosures equivalent to those required by FRS 102, the company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Consolidated financial statements

The company is a wholly-owned subsidiary of Camfil AB and is included in the consolidated financial statements of Camfil AB which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006. These financial statements are the Company's separate financial statements.

Going concern

The financial statements have been prepared on a going concern basis. After making all appropriate enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the company's financial statements.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to Other Comprehensive Income, which are recognised in Other Comprehensive Income.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Turnover

Turnover represents the invoiced value of goods and services supplied in the ordinary course of the company's activities. It is recognised net of value added tax, returns, rebates, and settlement discounts.

Turnover on the manufacture of air filtration equipment and accessories is recognised on despatch and turnover on servicing of this equipment is recognised in the period the services are provided.

Employee benefits

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

i) 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.

ii) Defined contribution pension plans

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 payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income, in which case it is recognised directly in equity or Other Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the Balance Sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the company's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	over 25 years straight line
Plant and machinery	over 7 to 15 years straight line
Fixtures and fittings	over 5 to 10 years straight line
Office equipment	over 3 to 8 years straight line

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 the statement of comprehensive income.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Leases

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.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

i) Operating leased assets

Leases that do not transfer all the risk and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

ii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by category basis. Stock is valued on a first in first out (FIFO) method.

Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and 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, when applicable, are shown within borrowings in current liabilities.

Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

i) Financial Liabilities

Basic financial liabilities, including creditors 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.

Creditors 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. Creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

The company does not hold or issue derivatives financial instruments.

ii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally 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.

Notes to the Financial Statements (continued)

2. Critical accounting judgement

Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that haw'a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) 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 12 for the carrying amount of the tangible assets, and accounting policy for the useful economic lives for each class of assets.

ii) Stock provisioning

The company is involved with the manufacture and sale of filtration products which are subject to market demands. As a result it is necessary to consider the recoverability of the cost of stock and the associated provision required. When calculating the stock provision, management considers the nature and condition of its stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing Impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and past experience.

3. Turnover

The turnover and profit are attributable to the principal activity of the company. All turnover originates in the UK and an analysis by destination is given below.

	2018	2017
	£'000	£'000
United Kingdom	**25,330**	24,588
Europe	**1,567**	1,589
Rest of the world	**155**	98
	27,052	26,275

4. Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging:		
Depreciation of owned fixed assets	**661**	647
Loss on foreign currency translation	**41**	33
Operating lease-rentals	**376**	375
Services provided by the company's auditors		
- *Fees payable for the audit*	**18**	18
Fees payable to other services		
- Other accounting services	**4**	3
- Taxation compliance	**5**	6

5. Staff numbers and costs

The average monthly number of staff including executive directors employed by the company during the financial year amounted to:

	2018 Number	2017 Number
Production	**106**	139
Sales	**84**	49
Administration	**10**	8
	200	196

	2018 £'000	2017 £'000
The aggregate payroll costs of the above were:		
Wages and salaries	**4,990**	6,481
Social security costs	**2,657**	652
Other pension costs (note 10)	**469**	264
	8,116	7,397

6. Directors' remuneration

Remuneration in respect of directors was as follows:	2018 £'000	2017 £'000
Directors' remuneration	1,029	633
Company contributions to money purchase pension plan	76	66
	1,105	699

The number of directors who accrued benefits under company pension scheme was as follows:

	2018 Number	2017 Number
Money purchase scheme	6	4

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2018 £'000	2017 £'000
Directors' remuneration	292	258
Company contributions to money purchase pension plan	10	11
	302	269

7. Interest receivable and similar income

	2018 £'000	2017 £'000
Bank interest	21	-
	21	-

8. Interest payable and similar expenses

	2018 £'000	2017 £'000
Internal royalties and transfer price adjustments	394	778
	394	778

9. Taxation

	2018 £'000	2017 £'000
Current tax		
UK Corporation tax on profit for the year	**828**	705
Adjustments in respect of prior years	**(16)**	(55)
Total current tax	**812**	650
Deferred tax		
Origination and reversal of timing difference	**(30)**	9
Adjustment in respect of prior years	**(1)**	-
Impact of change in tax rate	-	-
Total deferred tax (note 16)	**(31)**	9
Tax on profit	781	659

The tax assessed on the profit for the financial year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	**3,810**	3,344
Profit before taxation multiplied by standard rate in the UK 19% (2017: 19.25%)	**724**	355
Effects of:		
Accelerated capital allowances and other timing differences	**62**	62
Expenses not deductible for tax purposes	**8**	298
Tax rate change	**4**	(1)
Adjustments in respect of prior years	**(17)**	(55)
Total tax charge for the year	781	659

Factors affecting current and future tax charges
A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2016. A further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October-2016, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

10. Employee benefits

The company operates a defined contribution pension scheme. Contributions made in the year were £469k (2017: £264k).

11. Dividends

	2018 £'000	2017 £'000
Equity-Ordinary		
Interim paid: £1,500k (£0.441 per share) (2017: £1,500k (£0.441 per share))	**1,500**	1,500

Notes To The Financial Statements (continued)

12. Tangible assets

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2018	8,157	5,135	791	709	14,792
Additions	50	92	17	3	162
At 31 December 2018	**8,207**	**5,227**	**808**	**712**	**14,954**
Accumulated depreciation					
At 1 January 2018	3,773	3,682	739	697	8,891
Charge for the year	327	301	23	10	661
At 31 December 2018	**4,100**	**3,983**	**762**	**707**	**9,552**
Net book value					
At 31 December 2017	4,384	1,453	52	12	5,901
At 31 December 2018	**4,107**	**1,244**	**46**	**5**	**5,402**

13. Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	**1,130**	1,044
Work in progress	**74**	92
Finished goods and goods for resale	**711**	507
	1,915	1,643

The amount of stock recognised as an expense during the year was £8,370k (2017: £8,626k).

There is no material difference between the carrying amount of stock and the replacement cost.

14. Debtors

	2018 £'000	2017 £'000
Trade debtors	**4,555**	4,363
Amounts owed by group undertakings	**782**	113
Other debtors	**8**	8
Deferred tax asset	**-**	-
Prepayments and accrued income	**112**	93
	5,457	4,577

The amounts due from group undertakings are unsecured and interest free. They are repayable on demand.

15. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**2,066**	1,888
Amounts owed to group undertakings	**2,762**	3,418
Corporation tax	**150**	270
Other creditors	**982**	875
Accruals and deferred income	**1,644**	493
	7,604	6,944

All amounts payable to group undertakings are unsecured and repayable on demand.

16. Deferred tax

The movement in the deferred taxation provision during the year was:

	2018 £'000	2017 £'000
At 1 January 2018	**129**	120
Deferred tax charge in P&L for the period (see note 9)	**(31)**	9
At 31 December 2018	98	129

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2018 £'000	2017 £'000
Excess of capital allowances over book depreciation of fixed assets	**126**	136
Other timing differences	**(28)**	(7)
	98	129

The net deferred tax liability is split into deferred tax liability of £126k (2017: £136k) and deferred tax asset of £28k (2017: £7k).

17. Operating leases

At 31 December 2018 the company had the following future minimum lease payments under non cancellable operating leases for each of the following periods:

Payments due	2018 £'000	2017 £'000
Less than one year	**356**	330
Between one and five years	**334**	328
	690	658

18. Called up share capital

	2018 £'000	2017 £'000
Allotted and fully paid		
Authorised, issued, allotted and fully paid 3,404,995 (2017: 3,404,995) ordinary shares of £1.00 each	**3,405**	3,405

There is a single class of ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

19. Related party transactions

The company has taken advantage of the exemption in paragraph 33.1A of FRS 102 and has not disclosed transactions with group undertakings.

There are no other related party transactions.

20. Ultimate parent undertaking

The immediate and ultimate parent undertaking and controlling party is Camfil AB, a company incorporated in Sweden.

Camfil AB is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Camfil AB can be obtained from its registered office at Sveavagen 56 E SE-11134 Stockholm, Sweden.