Alfa Laval Limited

Annual report and financial statements

Registered number 187261

31 December 2019

Contents

Strategic Report

The directors present their Strategic Report and review of the business for Alfa Laval Limited for the year ended 31 December 2019.

BUSINESS REVIEW

The principal activity of the Company during the year was the sale of engineering services and products for industrial use.

The loss for the year, after taxation, amounted to £4.1m (2018: loss of £1.2m). The directors are satisfied with the performance of the business during the year.

The key financials and other performance indicators during the year were as follows:

	2019	2018	Change
	£000	£000	
Turnover	**60,956**	**64,612**	(5.7%)
Operating (loss) / profit	**(1,878)**	**1,602**	(217%)
Net current assets	**27,505**	**33,526**	(18.0%)
Total shareholder's funds	**(42,125)**	**(25,399)**	(65.8%)

Turnover has decreased by 5.7% year on year due a change in the mix of projects and service business. The development of new and existing products and services continues to be important to the success of the Company in all areas of the business.

The gross margin percentage has increased from 29.5% to 30.6% although a decrease in turnover and increase in administrative expenses has led to operating profit decreasing by 217% compared to the prior year.

The balance sheet on page 6 of the financial statements shows the Company's financial position at the end of the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Coronavirus pandemic

During 2020 we have seen the continued worldwide spread of COVID-19 with associated volatility, uncertainty and economic disruption. The directors have considered the Company's operations in light of this development and taken appropriate action regarding staff health and safety, and restricted travel, whilst maintaining close contact with our customers. Our supply chain is diversified and operates in a manner that mitigates geographical risks that we believe is likely to lessen the risk of material supply interruptions. The Company is also not dependent on a single customer, market or business sector which increases its resilience to the effects of the pandemic. Our service centres have remained open and office workers have adapted to remote working where appropriate with minimal business disruption.

Exchange rate risk

The Company is exposed is fluctuations in exchange rates as a high proportion of the business' sales and product costs are denominated in Euros.

To a certain extent, the Company's exposure to Euro exchange rate fluctuations is minimized due to the fact that the Company is part of a notional cash pool with Alfa Laval companies in UK where both sales and purchases are denominated in Euro. The Company uses certain financial instruments to manage the main operating risks it faces. In particular, the Company utilises overdraft facilities and group borrowings to manage the liquidity and cash flow risks faced.

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.

Strategic Report (continued)

Competitive risk

The business of the UK Company is like that of the Group, spread across a number of different industries with varying degrees of competition. This enables the Company to spread its risk more effectively.

Legislative risk

The Company is not aware of any other current or pending legislative changes that would pose a significant risk to the business at this moment. The directors continue to monitor potential legislative changes brought about by the UK leaving the EU on 31st December 2020.

Brexit risk

The Group has created a cross-functional Brexit planning team, in which the Company participates, to understand and mitigate the risks of Brexit. This considers the potential effects of a no-deal Brexit. The Company has taken steps to minimise the effects of a potential disruption of supply chains, changes in import/export taxes and customs processes and the removal of licences to operate.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Debt finance is not utilised. Overseas contracts are only normally entered into with Letters of Credit or any other form for securing payment.

STAKEHOLDER ENGAGEMENT

This statement is intended by the directors to set out how they have approached and met their responsibilities under Section 172 of the Companies Act 2006 in the year ended 31 December 2019.

The directors have considered the activities of the Company in the year and have not identified any principal decisions where the directors consider there to be a material impact on the identified stakeholders.

The directors have identified the following key stakeholders and have undertaken a variety of activities to engage with these stakeholders to bring their views into the Board's principal decisions.

Customers - Understanding the needs of the customer and giving them the best customer experience is fundamental and the directors continue to ensure this is a priority throughout the business. The Management Team regularly discuss key customer issues and actively seek customer feedback to ensure we continually improve that experience.

Colleagues – the directors recognise the importance of strong communications and relations with Employees. Employees are encouraged to present their suggestions and views on the Company performance and the Company promotes the free flow of information and ideas. Employee engagement and consultation is managed in a variety of ways including Information Sessions, employee surveys, team updates, suggestion boxes, monthly newsletters and the use of an Intranet.

Suppliers – engaging successfully with suppliers ensures the continuation of the Company's supply chain and ensures that they adhere to the Company's quality standards and business principles. The Company ensures that they pay suppliers promptly to maintain strong relationships.

Investors – the directors ensure that the Company provides key financial information to Group on a timely basis to facilitate their investor communications.

Community & environment – Environmental impact is a key measurement that is continually monitored by the Management Team.

By order of the Board

M Hellborg	S Woolhouse
Director	Director
Date: 27th November 2020	Date: 27th November 2020

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

Dividends

No dividends were paid during the year and the directors do not recommend the payment of a final dividend. (2018 - Nil).

Directors

The current directors who served the Company during the year and subsequent to the year-end were as follows:

M Petrou (resigned 4th February 2019)
N.M. Patel
L Fox (resigned 7th June 2019)
M Hellborg (appointed 4th February 2019)
S Woolhouse (appointed 7th June 2019)

Going Concern

After making enquiries and after assurance received from the parent company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The company has been given a parent support letter from the immediate parent company which confirms ongoing financial support until 31st December 2019.

Directors' qualifying third party indemnity provisions

The Company's ultimate parent has indemnified one or more directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and remains in place to the date of this report.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee engagement

The Company attaches importance to good communications and relations with Employees. Employees are encouraged to present their suggestions and views on the Company performance and the Company promotes the free flow of information and ideas. Employee engagement and consultation is managed in a variety of ways including Information Sessions, employee surveys, team updates, suggestion boxes, monthly newsletters and the use of an Intranet.

Creditor payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

By order of the Board

M Hellborg
Director
Date: 27th November 2020

S Woolhouse
Director
Date: 27th November 2020

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

Profit and Loss Account and Other Comprehensive Income

for year ended 31st December 2019

	Note	**2019**	2018
		£000	£000
Turnover	*2*	**60,956**	64,612
Cost of Sales		**(42,320)**	(45,576)
Gross Profit		**18,636**	19,036
Administrative Expenses		**(21,327)**	(18,253)
Other operating income	6	**813**	819
Operating (loss)/profit		**(1,878)**	1,602
Other interest receivable and similar income	*7*	**329**	70
Interest payable and similar expenses	*8*	**(9)**	(8)
Other finance cost	*9*	**(1,942)**	(1,821)
(Loss)/profit before taxation		**(3,500)**	(157)
Tax on (loss)/profit	*10*	**(502)**	(1,034)
(Loss)/profit for the financial year		**(4,002)**	(1,191)
Remeasurement of the net defined benefit liability		**(15,374)**	(4,031)
Deferred tax credit on actuarial losses		**2,650**	685
Total comprehensive loss for the year		**(16,726)**	(4,537)

The above results relate to continuing operations.

The notes on pages 9 to 25 form part of these financial statements.

Balance Sheet
at 31st December 2019

	Note	**2019**	2018
		£000	£000
Fixed assets			
Tangible assets	*11*	**2,835**	2,777
Investment property	*12*	**1,250**	1,250
Investments	*13*	**331**	331
		4,416	4,358
Current assets			
Stocks	*14*	**3,733**	5,260
Debtors	*15*	**24,069**	20,556
Cash at bank and in hand	*16*	**30,818**	28,370
Deferred tax asset	*18*	**463**	469
		59,083	54,655
Creditors: amounts falling due within one year	*17*	**(31,578)**	(21,129)
Net current assets		**27,505**	33,526
Total assets less current liabilities		**31,921**	37,884
Provisions for liabilities			
Other provisions	*19*	**(1,998)**	(1,592)
Pensions and similar obligations	*20*	**(72,048)**	(61,691)
Net assets		**(42,125)**	(25,399)
Capital and reserves			
Called up share capital	*21*	**11,739**	11,739
Profit and loss account	*21*	**(53,864)**	(37,139)
Shareholder's funds		**(42,125)**	(25,399)

The notes on pages 9 to 25 form part of these financial statements.

For the year ending 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Director's responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476:
- the directors acknowledge their responsibilities for complying the requirements of the Act with respect to accounting records and the preparation of the accounts.

These financial statements were approved by the board of directors on 27th November 2020 and were signed on its behalf by:

Mikael Hellborg
Director

Stephen Woolhouse
Director

Company registered number: 187261

Statement of Changes in Equity

	Called up Share capital	Non-Distributable Profit Reserve	Profit and Loss account	Total Equity
	£000	**£000**	**£000**	**£000**
Balance at 1 January 2018	11,739	765	(33,516)	(21,012)
Profit or loss	-	150	(1,191)	(1,041)
Actuarial loss (note 20)	-	-	(4,031)	(4,031)
Deferred tax on actuarial loss	-	-	685	685
As at 31 December 2018	11,739	915	(38,053)	(25,399)
Profit or loss	-	-	(4,002)	(4,002)
Actuarial loss (note 20)	-	-	(15,374)	(15,374)
Deferred tax on actuarial loss	-	-	2,650	2,650
Balance at 31 December 2019	**11,739**	**915**	**(54,779)**	**(42,125)**

Fair value changes in investment properties are recorded in the non-distributable profit reserve.

The notes on pages 9 to 25 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Alfa Laval Limited (the "Company") is a company limited by shares and incorporated in England and Wales and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Alfa Laval AB includes the Company in its consolidated financial statements. The consolidated financial statements of Alfa Laval 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 PO Box 73, SE/221-00, Lund, 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.

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

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property and investments in subsidiaries, associates and joint ventures.

Going concern

The financial statements have been prepared on the going concern basis.

The Company has received undertakings from its ultimate parent company Alfa Laval AB, for at least 12 months from the date of approval of these financial statements, that they will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue to trade for the foreseeable future by meeting its liabilities as and when they become due.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if such funds were not available

Notes *(continued)*

1 Accounting policies *(continued)*

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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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.

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. Land is not depreciated.

The estimated useful lives are as follows:

- buildings between 10 and 40 years
- plant and equipment between 3 and 14 years
- fixtures and fittings between 3 and 14 years
- motor vehicles between 4 and 5 years

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.

Investment property

The investment property is held at valuation. Any temporary surplus or deficit on revaluation is recognised in the profit and loss and as is treated as a non-distributable reserve.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA rated corporate bonds and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Warranty provision is based on historical warranty costs and applied to current year sales.

Turnover

Revenue is recognised to the extent that it is probable that the economic benefits and the revenue can be reliably measured. Revenue includes amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue for significant long-term contracts is recorded on a percentage of completion method. Where the contractual obligation is borne by the Company, a percentage of the sale is recognised as revenue.

Rental Income is recognised in line with underlying rental agreements, reflecting the Company's entitlement to receive such rents.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the exchange rate at the reporting date.

Accounting estimates and judgements

The Company currently operates a defined benefits plan, the Alfa Laval Limited Pension Scheme. The benefits provided by the plan are final salary defined benefits with the contributions paid by the Employer on a balance of cost basis. The plan is run by the Trustees of the plan who ensure that the plan is run in accordance with the Trust Deed & Rules and complies with legislation. The Trustees are required by law to fund the plan on prudent funding assumptions under the Trust Deed & Rules of the plan. The contributions payable by the Employer to fund the plan are set by the Trustees after consulting the Employer.

The assets of the plan are invested in managed funds and absolute return funds with Legal & General Investment Management, Standard Life, Newton, Columbia Threadneedle, Schroder and M&G Investments. The managed funds are diversified by fund and by investment strategy.

The plan is closed to new entrants but remains open to existing members for future accrual.

The following list is not exhaustive but covers the main risks for the plan. Some of the risks can be reduced by adjusting the funding strategy with the help of the Trustees, for example investment matching risk. Other risks cannot easily be removed, for example longevity risk, and the Employer is aware of these risks and relies on the Trustees to monitor them closely.

- Investment Return Risk: If the assets under-perform the returns assumed in setting the funding target then additional contributions may be required at subsequent valuations.
- Investment Matching Risk: The plan invests significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If equity type assets have fallen in value relative to the matching assets of bonds, additional contributions may be required.
- Longevity Risk: If future improvements in mortality exceed the assumptions made then additional contributions may be required.
- Legislative Risk: The Government may introduce over riding legislation which leads to an increase in the value of plan benefits.
- Solvency Risk: As the funding target is not a solvency target, and the investment strategy does not follow that required for a solvency target, the assets of the plan may not be sufficient to provide all members with the full value of their benefits on a plan wind-up.

Notes *(continued)*

1 Accounting policies *(continued)*

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; and differences relating to investments in subsidiaries and joint ventures 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 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 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.

Long term contracts

The amount of profit attributable to the stage of completion of a long-term contact is recognised when the outcome of the contact can be foreseen with reasonable certainly. The profit included is calculated to reflect the proportion of work done at the year-end by recording the turnover and related costs as contact activity progresses. Provision is made for any losses which are foreseen.

Notes *(continued)*

2 Turnover

Turnover represents the total amounts invoiced to customers throughout the year after deducting trade and quantity discounts and after excluding value added tax. Turnover is derived from the Company's principal activity, being the manufacture and sale of products for industrial use.

No analysis of turnover or profit before taxation by geographical region or class of business has been disclosed as, in the opinion of the directors, it would be seriously prejudicial to the interest of the Company.

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019	2018
	£000	£000
Auditor's remuneration – audit of the financial statements	**80**	69
Depreciation of owned fixed assets	**389**	367

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Production	**31**	34
Selling, Service and Distribution	**136**	140
Administrative Staff	**28**	30
	195	204

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**9,878**	9,650
Social security costs	**1,307**	1,332
Pension costs	**1,482**	1,540
	12,667	12,522

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	**246**	356
Company contributions to money purchase pension plans	**12**	41

The aggregate of remuneration of the highest paid director was £112,750 (2018 - £311,465), and company pension contributions of £0 (2018 - £32,934) were made to a money purchase scheme on their behalf.

Notes *(continued)*

6 Other operating Income

	2019	2018
	£000	£000
Rental income	**813**	841
	813	841

Rental income is generated from investment property (note 13) and other properties owned by Alfa Laval Limited.

7 Other interest receivable and similar income

	2019	2018
	£000	£000
Interest Income	**129**	70
Dividend Income	**200**	-
Total interest receivable and similar income	**329**	70

8 Interest payable and similar expenses

	2019	2018
	£000	£000
Other interest payable	**9**	8
Total other interest payable and similar expenses	**9**	9

9 Other Finance Costs

	2019	2018
	£000	£000
Expected return on pension scheme assets	**(3,576)**	(3,534)
Net interest expense on net defined benefit liabilities	**5,518**	5,355
Other finance costs	**-**	-
Other finance costs	**1,942**	1,821

Notes *(continued)*

10 Taxation

(a) Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2019	2018
	£000	£000
Current tax		
Current tax on income for the period	-	-
Foreign taxation	4	-
Adjustments in respect of prior periods	-	533
Total current tax	4	533
Deferred tax		
Origination and reversal of timing differences	524	425
Effect of tax rate change on opening balance	-	-
Adjustments in respect of prior periods	(26)	77
Total deferred tax	498	501
Total tax	502	1,034

	2019			2018		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	4	498	502	533	501	1,034
Recognised in other comprehensive income	-	(2,650)	(2,650)	-	(685)	(685)
Total tax	4	(2,152)	(2,148)	533	(184)	349

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

Notes *(continued)*

10 Taxation (continued)

(b) Reconciliation of effective tax rate

	2019	2018
	£000	£000
(Loss)/profit for the year	(4,002)	(1,049)
Total tax expense/(credit)	(502)	892
(Loss)/profit before taxation	(3,500)	(157)
Tax on loss at standard rate of 19.00% (Prior year 19%)	(665)	(30)
Expenses not deductible for tax purposes	582	7
Income not taxable for tax purposes	(38)	-
Transfer pricing adjustment	41	-
Adjustments to tax charge in respect of previous periods	-	533
Group relief surrendered	666	498
Foreign tax credits	4	-
Adjustments to tax charge in respect of previous periods - deferred tax	(26)	76
Adjust opening and closing deferred tax to average rate of 19%	(62)	(50)
Chargeable gains/losses	-	-
Total tax expense/(credit) included in profit or loss	502	1,034

Notes *(continued)*

11 Tangible fixed assets

	Land and buildings £000	Plant and Equipment, Fixtures & fittings £000	Motor Vehicles £000	Total £000
Cost				
Balance at 1 January 2019	7,507	6,377	147	14,031
Additions	-	505	-	505
Disposals	-	(119)	-	(119)
Balance at 31 December 2019	7,507	6,762	147	14,416
Depreciation				
Balance at 1 January 2019	5,886	5,276	192	11,254
Depreciation charge for the year	17	358	14	389
Disposals	-	(63)	-	(63)
Balance at 31 December 2019	5,903	5,571	106	11,580
Net book value				
At 1 January 2019	1,621	1,101	55	2,777
At 31 December 2019	**1,604**	**1,191**	**41**	**2,836**

12 Investment property

	2019 £000
Balance at 1 January 2019	1,250
Net gain from fair value adjustments	-
Balance at 31 December 2019	1,250
Historical cost net book value	**729**

The investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy.

Notes *(continued)*

13 Fixed asset investments

	Loans to joint Venture	Other Investments	Shares in group companies	Total
	£000	**£000**	**£000**	**£000**
Cost				
At 1 January 2019	10,000	5	685	10,690
At 31 December 2019	10,000	5	685	10,690
Provisions				
At 1 January 2019	10,000	5	354	10,359
At 31 December 2019	10,000	5	354	10,359
Net book value				
At 31 December 2019	-	-	**331**	**331**
At 1 January 2019	-	-	331	331

In the opinion of the directors the value of investments in subsidiary undertakings (including amounts owed to them) is not less than the amount at which they are stated in the accounts.

The Company owns directly 100% of the issued share capital of the companies listed below, all of which are registered in England and Wales:

Company	Principal Activity	Registered Address
Tranter Limited	Engineering	15a Hallgate, Doncaster, South Yorkshire, DN1 3NA

The Company owns 50% of the issued share capital of Rolls Laval Heat Exchangers Limited, a Company engaged in industrial engineering. This Company ceased trading during 2011 and became dormant. The registered address of Rolls Laval Heat Exchangers Limited is Moor Lane, Derby, Derbyshire, DE24 8BJ.

Notes *(continued)*

14 Stocks

	2019 £000	2018 £000
Work in progress	**3,492**	5,072
Finished goods	**241**	188
	3,733	5,260

15 Debtors

	2019 £000	2018 £000
Trade debtors	**14,338**	10,559
Amounts owed by group undertakings	**9,418**	9,410
Other debtors	**55**	146
Prepayments and accrued income	**258**	441
	24,069	20,556

16 Cash and cash equivalents/ bank overdrafts

	2019 £000	2018 £000
Cash at bank and in hand	**30,818**	28,370
Bank overdrafts	**-**	-
Cash and cash equivalents	**30,818**	28,370

17 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**4,930**	2,713
Amounts owed to group undertakings	**23,980**	16,793
Taxation and social security	**1,819**	1,038
Accruals and deferred income	**849**	585
	31,578	21,129

Notes *(continued)*

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**(127)**	(77)	**37**	37	**(90)**	(40)
Losses	**(14,757)**	(12,636)	**-**	-	**(14,757)**	(12,636)
Employee benefits	**(256)**	(354)	**-**	-	**(256)**	(354)
Other timing differences	**(117)**	(73)	**-**	-	**(117)**	(73)
Net tax (assets) / liabilities	**(15,257)**	(13,142)	**37**	37	**(15,220)**	(13,105)

In addition to the deferred tax asset above, the Company has additional unrecognised gross tax losses of £3,203,852 (2018: £3,203,852). A deferred tax asset has not been recognised on these losses due to the uncertainty about their realisation in future.

19 Provisions

	Warranty	Customer Bonus	Other Provision	Total
				£000
Balance at 1 January 2019	430	296	866	1,592
Provisions made during the year	230	330	498	1,058
Provisions used during the year	-	(144)	-	(144)
Provisions reversed during the year	(34)	(136)	(338)	(508)
Balance at 31 December 2019	**626**	**346**	**1,026**	**1,998**

The provision for warranties relates to expected warranty claims on products sold. The provision for customer payments relates to expected rebates on products sold. Other provisions relate to dilapidation costs on leased property and to restoration costs on a leased drainage.

Notes *(continued)*

20 Employee benefits

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension (liability)/asset

	2019 £000	2018 £000
Defined benefit obligation	**(234,507)**	(206,782)
Plan assets	**147,702**	132,455
Related deferred tax asset	**14,757**	12,636
Net pension (liability)/asset	**(72,048)**	(61,691)

Movements in present value of defined benefit obligation

	2019 £000
At 1 January 2019	**(206,782)**
Current service cost	**(919)**
Interest on liabilities	**(5,518)**
Past service cost	-
Contributions by members	**(112)**
Actuarial loss	**(27,053)**
Benefits Paid	**5,877**
At 31 December 2019	**(234,507)**

Movements in fair value of plan assets

	2019 £000
At 1 January 2019	**132,455**
Interest Income	**3,576**
Actuarial gain	**11,680**
Employer contributions	**5,756**
Employee contributions	**112**
Benefits paid	**(5,877)**
At 31 December 2019	**147,702**

Notes *(continued)*

20 Employee benefits *(continued)*

Expense recognised in the profit and loss account

	2019 £000	2018 £000
Current service cost	**919**	939
Past service cost	**-**	1,700
Net interest on net defined benefit liability	**1,942**	1,821
Total expense recognised in profit or loss	**2,861**	4,460

No current director is an active member of the defined benefit scheme.

The fair value of the plan assets and the return on those assets were as follows:

	2019 Fair value £000	2018 Fair value £000
Equities	**57,960**	48,669
Bonds	**79,975**	73,761
Property	**9,033**	8,510
Other	**734**	1,515
	147,702	132,455
Actual return on plan assets	**11,680**	(6,993)

Principal actuarial assumptions at the year-end were as follows:

	2019 %	2018 %
Discount rate	**2.0**	2.7
Future salary increases	**2.8**	3.1
Retail Price Index	**3.1**	3.4
Consumer Price Index	**2.1**	2.4

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.0 years for males and 24.3 years for females.
- Future retiree upon reaching 65: 22.9 years for males and 25.4 years for females.

Defined contribution plans

The Company operates defined contribution pension plans.

The total expense relating to these plans in the current year was £356,301 *(2018: £361,960)*

Notes *(continued)*

21 Capital and reserves

Share capital

	2019 £000	2018 £000
Authorised share capital		
Ordinary shares of SwFr £10 each	**39**	39
Preference shares of £1 each	**12,000**	12.000
	12,039	12.039

	2019 £000	2018 £000
Allotted, called up and fully paid		
10.000 ordinary shares of Swfr 10 each	**39**	39
11,700,000 preference shares of £1 each	**11,700**	11.700
	11,739	11,739

Cumulative preference dividends of 0.01% per annum are payable in priority to dividends for other classes of shares. The preference shares have no voting rights, but have priority on winding up, after payment of the liabilities of the Company.

Non-Distributable Profit Reserve

Where tangible fixed assets are revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the non-distributable profit reserve.

	Called up Share capital £000	Non-Distributable Profit Reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2018	11.739	765	(33.516)	(21.012)
Profit or loss	-	150	(1,191)	(1.041)
Actuarial loss (note 20)	-	-	(4.031)	(4.031)
Deferred tax on actuarial loss	-	-	685	685
As at 31 December 2018	11.739	915	(38.053)	(25.399)
Profit or loss	-	-	(4.002)	(4,002)
Actuarial loss (note 20)	-	-	(15.374)	(15.374)
Deferred tax on actuarial loss	-	-	2.650	2,650
Balance at 31 December 2019	**11,739**	**915**	**(54,779)**	**(42,125)**

Fair value changes in investment properties are recorded in the non-distributable profit reserve.

22 Operating leases

The Company has entered into commercial leases on certain properties, motor vehicles and items of machinery. Future minimum total rentals payable under non-cancellable operating leases are as follows:

	2019	2018
	£000	£000
Less than one year	**300**	301
Between one and five years	**1,020**	1,012
More than five years	**246**	381
	1,566	1,694

During the year £604,684 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £610,899).

23 Contingencies

At 31 December 2019 the Company had contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated no material liability will arise. The total amount of such bank and other guarantees outstanding at 31 December 2019 amounted to £916,224 (2018: £1,160,323).

24 Related parties

The group has taken advantage of the exemption afforded by FRS102 not to disclose details of transactions with other group members on the basis that the Company is wholly owned by the group.

25 Post balance sheet events

During 2020 we have seen the continued worldwide spread of COVID-19 with associated volatility, uncertainty and economic disruption. We have taken appropriate action regarding staff health and safety, and restricted travel, whilst maintaining close contact with our customers. Our supply chain is diversified and operates in a manner that mitigates geographical risks that we believe is likely to lessen the risk of material supply interruptions.

Management continues to assess the extent to which COVID-19 impacts our business, operations and financial results and consider COVID-19 to be a non-adjusting post year end event. Given the inherent uncertainties, it is not practicable at this time to determine the full impact of COVID-19 on the Company.

26 Ultimate parent Company

The Company is a subsidiary undertaking of Alfa Laval Holdings Limited, a Company registered in England and Wales at 7 Doman Road, Camberley, GU15 3DN.

The ultimate controlling party is Alfa Laval AB, a Company incorporated in Sweden. Alfa Laval AB incorporates the Company in its group financial statements which are both the smallest and largest financial statements in which the results of the group are incorporated. Copies of the group financial statements are available from PO Box 73, SE/221-00, Lund, Sweden.