



Alfa Laval Limited

Annual report and financial statements

Registered number 187261

31 December 2021



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Strategic Report

The directors present their Strategic Report and review of the business for Alfa Laval Limited for the year ended 31 December 2021.

BUSINESS REVIEW

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

The profit for the year, after taxation, amounted to £4.9m (2020: profit of £1.5m). 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:

	2021	2020	Change
	£000	£000	
Turnover	59,908	66,070	(9.3%)
Operating profit	1,031	2,683	(61.6%)
Net current assets	27,233	42,542	(35.9%)
Total shareholder's funds (deficit)	(27,746)	(62,416)	55.5%

Turnover has decreased by 9.3% 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 25.3% to 31.5% although a decrease in turnover and increase in administrative expenses has led to operating profit decreasing by 61.6% compared to the prior year.

The balance sheet on pages 12-13 of the financial statements shows the Company's financial position at the end of the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Coronavirus pandemic

During 2021 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 to 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 the 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 2021.

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 2021.

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.

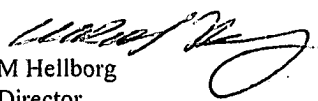
Colleagues – the directors recognise the importance of strong communications and relations with Employees. Employees are encouraged to present their suggestions and views on the Company performance and the Company promotes the free flow of information and ideas. Employee engagement and consultation is 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
Director

Date: 7 March 2023


S Woolhouse
Director

Date: 7 March 2023

Directors' Report

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

Dividends

No dividends were paid during the year and the directors do not recommend the payment of a final dividend. (2020 - Nil).

Directors

The current directors who served the Company during the year and up to the date of approval of this report were as follows:

N.M. Patel
M Hellborg
S Woolhouse

Going Concern

The directors have defined the going concern period as the 12-month period commencing from the date of approval of these financial statements.

The Company has net current assets however due to long term pension scheme liabilities the Company reports a deficit on shareholders' funds. In addition, the Company is an integrated part of a larger group which manages cash resources on a group wide basis. As such Alfa Laval AB, the Company's ultimate parent company has confirmed in writing that it will support the Company to meet its liabilities as they fall due throughout the going concern period.

In assessing whether the going concern basis is appropriate the directors have taken account of all available information about the future up to 12 months from the date of approval of this report. The directors have concluded that Alfa Laval AB can fulfil its obligations under the parental support arrangement set out above on the basis of the financial resources available.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

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.

Directors' Report (continued)

Streamlined Energy and Carbon Reporting (SECR) Statement

The statement below contains the company's annual energy consumption, associated relevant greenhouse gas emissions, and additional related information, as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Conversion Factors

All conversion factors and fuel properties used in this report have been taken from the 2021 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). All greenhouse gas emissions have been converted and expressed in terms of their carbon dioxide equivalence.

Energy Use and Greenhouse Emissions

The table below shows the total annual UK energy use associated with the consumption of electricity, natural gas and other fuels combusted on-site, and fuel consumed for relevant business transport purposes, for the period 1st January 2021 to 31st December 2021.

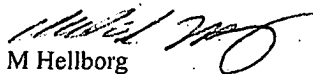
In line with the Streamlined Energy and Carbon Reporting legislation, the company is required to report its energy consumption and greenhouse gas emissions arising in the UK. All scope 1 & 2 sources of energy and emissions have been disclosed as well as mandatory scope 3 sources of energy and emissions.

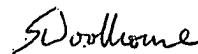
In comparison with the previous financial period our energy used in transport has increased by 75% as pandemic restrictions have eased, however we continue to utilise video conferencing technology and remote working to keep this to a minimum. In contrast, lower levels of activity in the service entre following the pandemic has meant that our natural gas consumption has decreased by 6% and our gas oil consumption has decreased by 25%. Our electricity consumption has increased by 0.2% however we have secured REGO backed contracts for all of our sites which has reduced our greenhouse gas emissions by 223 tonnes CO₂e. In summary, our total energy consumption has increased by 19% and our greenhouse gas emissions have decreased by 10%. Our turnover has decreased slightly meaning that our energy intensity has increased by 21% and our emissions intensity has decreased by 9%.

Source of Energy & Emissions	Energy Consumption (MWh)		GHG Emissions (tCO ₂ e)	
	2021	2020	2021	2020
Combustion of Natural Gas	1,014.64	1,078.09	185.84	198.23
Combustion of Gas Oil	25.78	34.38	6.62	8.82
Combustion of Fuel in Company Vehicles	867.69	805.32	202.72	192.08
Other Activities inc. Process & Fugitive	-	-	41.97	5.22
Scope 1 Total	1,908.11	1,917.79	437.15	404.36
Generation of Purchased Electricity	1,050.38	1,048.38	223.03	244.42
<i>of which from renewable sources</i>	1,050.38	-	223.03	-
Scope 2 Total	1,050.38	1,048.38	-	244.42
Combustion of Fuel in Staff Vehicles	595.76	41.86	148.38	10.42
Generation of Electricity for Staff Vehicles	20.84	-	4.42	-
Scope 3 Total	616.60	41.86	152.81	10.42
Grand Total	3,575.08	3,008.03	589.96	659.19
Intensity per £m Turnover	59.68	49.34	9.85	10.81

Directors' Report (continued)

By order of the Board


M Hellborg
Director
Date: 7 March 2023


S Woolhouse
Director
Date: 7 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALFA LAVAL LIMITED

Opinion

We have audited the financial statements of Alfa Laval Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALFA LAVAL LIMITED (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

The financial statements for the year ended 31 December 2020, forming the corresponding figures of the financial statements for the year ended 31 December 2021, are unaudited.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALFA LAVAL LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

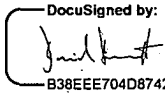
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and Corporation Tax Act 2010) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations.
- We understood how Alfa Laval Limited is complying with those frameworks by making enquiries of those charged with governance and management responsible for accounting, tax and legal compliance to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board minutes, as well as consideration of the results of our other audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a risk of management override around revenue recognition, and in particular revenue recognition around the year end date. We selected a sample of revenue transactions recognised around the year end date and performed detailed testing, including agreeing to source documentation to validate that the revenue had been recognised in the appropriate period. As well as this we performed analytical procedures to identify unusual transactions in this period around the year end date. In relation to management override we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry of management and those charged with governance and reviewing minutes of meetings. We also read the financial statement disclosures, corroborating to supporting documentation to assess compliance with applicable laws and regulations and evaluated the business rationale of significant transactions outside the normal course of business.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALFA LAVAL LIMITED (continued)

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

Use of our report

This report is made solely to the company's 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.

DocuSigned by:

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Daniel Dennett (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

8 March 2023

Profit and Loss Account and Other Comprehensive Income
for year ended 31st December 2021

	<i>Note</i>	2021 £000	2020 £000 (unaudited)
Turnover	2	59,908	66,070
Cost of Sales		(41,059)	(49,380)
Gross Profit		<u>18,849</u>	<u>16,690</u>
Administrative Expenses		(18,698)	(14,719)
Other operating income	6	880	712
Operating profit		<u>1,031</u>	<u>2,683</u>
Other interest receivable and similar income	7	15	31
Interest payable and similar expenses	8	(3)	(5)
Other finance cost	9	(1,185)	(1,657)
		<u></u>	<u></u>
(Loss)/profit before taxation		(142)	1,052
Tax on (loss)/profit	10	5,055	425
		<u></u>	<u></u>
Profit for the financial year		4,913	1,477
Remeasurement of the net defined benefit liability		33,868	(26,874)
Deferred tax credit on actuarial losses		(4,111)	5,106
		<u></u>	<u></u>
Total comprehensive income/(expense) for the year		<u>34,670</u>	<u>(20,291)</u>

The above results relate to continuing operations.

The notes on pages 15 to 31 form part of these financial statements.

Balance Sheet
at 31st December 2021

	<i>Note</i>	2021 £000	2020 £000 Restated (unaudited)
Fixed assets			
Tangible assets	11	2,900	2,823
Investment property	12	1,250	1,250
Investments	13	331	331
		<hr/> 4,481	<hr/> 4,404
Current assets			
Stocks	14	4,389	4,152
Debtors	15	49,607	63,052
Cash at bank and in hand	16	-	158
Deferred tax asset	18	17,917	20,743
		<hr/> 71,913	<hr/> 88,105
Creditors: amounts falling due within one year	17	(44,680)	(45,563)
		<hr/>	<hr/>
Net current assets		27,233	42,542
		<hr/>	<hr/>
Total assets less current liabilities		31,714	46,946
		<hr/>	<hr/>
Provisions for liabilities			
Other provisions	19	(2,148)	(1,930)
Pensions and similar obligations	20	(57,312)	(107,432)
		<hr/>	<hr/>
Net liabilities		(27,746)	(62,416)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	21	11,739	11,739
Non distributable profit reserve	21	915	915
Profit and loss account	21	(40,400)	(75,070)
		<hr/>	<hr/>
Shareholder's funds (deficit)		(27,746)	(62,416)
		<hr/>	<hr/>

The notes on pages 15 to 31 form part of these financial statements.


For the year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.


See notes 16 and 20 for details of the restatement of comparative financial information for the year ended 31 December 2020.

Balance Sheet

at 31st December 2021 (continued)

These financial statements were approved by the board of directors on 7 March 2023 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 2020 (unaudited)	11,739	915	(54,778)	(42,124)
Profit or loss (unaudited)	-	-	1,476	1,476
Actuarial loss (note 20) (unaudited)	-	-	(26,874)	(26,874)
Deferred tax on actuarial loss (unaudited)	-	-	5,106	5,106
As at 31 December 2020 (unaudited)	11,739	915	(75,070)	(62,416)
Profit	-	-	4,913	4,913
Actuarial gain (note 20)	-	-	33,868	33,868
Deferred tax on actuarial gain	-	-	(4,111)	(4,111)
Balance at 31 December 2021	11,739	915	(40,400)	(27,746)

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

The notes on pages 15 to 31 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.

Prior year restatement

Two prior year classification errors have been corrected in the 2021 financial statements by restating the 2020 comparative figures. These errors were:

- Deferred taxation associated with the pension scheme had been netted against the pension liability balance rather than being shown separately in accordance with the requirements of FRS 102. This resulted in understatement of the pension scheme liability balance and the deferred tax asset balance as at 31 December 2020 by £20,412,000 (see notes 18 and 20).
- Cash at bank and in hand included amounts deposited with intercompany cash pooling arrangements. This resulted in an overstatement of the cash balance of £41,245,000 and understatement of Debtors – Amount owed by group undertakings by an equal amount (see notes 15 and 16).

Correction of these errors has not resulted in any changes to total shareholders' funds or the profit previously reported. There is also no change to the tax charge previously reported.

Going concern

The directors have defined the going concern period as the 12-month period commencing from the date of approval of these financial statements.

The Company has net current assets however due to long term pension scheme liabilities the Company reports a deficit on shareholders' funds. In addition, the Company is an integrated part of a larger group which manages cash resources on a group wide basis. As such Alfa Laval AB, the Company's ultimate parent company has confirmed in writing that it will support the Company to meet its liabilities as they fall due throughout the going concern period.

In assessing whether the going concern basis is appropriate the directors have taken account of all available information about the future up to 12 months from the date of approval of this report. The directors have concluded that Alfa Laval AB can fulfil its obligations under the parental support arrangement set out above on the basis of the financial resources available.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

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, Newton, Columbia Threadneedle, Baillie Gifford 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 it is 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 contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. The profit included is calculated to reflect the proportion of work done at the year-end by recording the turnover and related costs as contract activity progresses. Provision is made for any losses which are foreseen.

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.

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000 (unaudited)
Auditor's remuneration – audit of the financial statements	107	70
Depreciation of owned fixed assets	344	399
	<u>451</u>	<u>469</u>

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 2021	2020 (unaudited)
Management and Administration	16	16
Manufacturing, logistics and procurement	16	16
Sales & Marketing	82	82
Service	68	68
	<u>182</u>	<u>182</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000 (unaudited)
Wages and salaries	10,209	10,741
Social security costs	1,439	1,306
Pension costs	1,410	1,303
	<u>13,058</u>	<u>13,350</u>

5 Directors' remuneration

	2021 £000	2020 £000 (unaudited)
Directors' remuneration	285	295
Company contributions to money purchase pension plans	77	81
	<u>362</u>	<u>376</u>

The aggregate of remuneration of the highest paid director was £185,942 (2020 - £200,252), and company pension contributions of £68,000 (2020 - £73,000) were made to a money purchase scheme on their behalf.

Notes (continued)

6 Other operating Income

	2021 £000	2020 £000 (unaudited)
Rental income	880	712
	<u>880</u>	<u>712</u>

Rental income is generated from investment property (note 12) and other properties owned by Alfa Laval Limited.

7 Other interest receivable and similar income

	2021 £000	2020 £000 (unaudited)
Interest Income	15	31
Dividend Income	-	-
	<u>15</u>	<u>31</u>
Total interest receivable and similar income	<u>15</u>	<u>31</u>

8 Interest payable and similar expenses

	2021 £000	2020 £000 (unaudited)
Other interest payable	3	5
	<u>3</u>	<u>5</u>
Total other interest payable and similar expenses	<u>3</u>	<u>5</u>

9 Other Finance Costs

	2021 £000	2020 £000 (unaudited)
Expected return on pension scheme assets	(1,997)	(2,979)
Net interest expense on net defined benefit liabilities	3,182	4,636
	<u>1,185</u>	<u>1,657</u>
Other finance costs	<u>1,185</u>	<u>1,657</u>

Notes (continued)

10 Taxation

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

	2021 £000	2020 £000 (unaudited)
<i>Current tax</i>		
Current tax on income for the period	-	-
Group Relief payable/(receivable)	(3,770)	-
Total current tax charge/(credit)	<u>(3,770)</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	5,237	1,363
Effect of tax rate change on opening balance	(6,544)	(1,790)
Adjustments in respect of prior periods	22	2
Total deferred tax charge/(credit)	<u>(1,285)</u>	<u>(425)</u>
Total tax charge / (credit)	<u><u>(5,055)</u></u>	<u><u>(425)</u></u>

	2021			2020 (unaudited)		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	(3,770)	(1,285)	(5,055)	-	(425)	(425)
Recognised in other comprehensive income	-	4,111	4,111	-	(5,106)	(5,106)
Total tax	<u><u>(3,770)</u></u>	<u><u>2,826</u></u>	<u><u>(944)</u></u>	<u><u>-</u></u>	<u><u>(5,531)</u></u>	<u><u>(5,531)</u></u>

Notes (continued)

10 Taxation (continued)

(b) Reconciliation of effective tax rate

	2021 £000	2020 £000 (unaudited)
Profit for the year	4,913	1,477
Total tax expense/(credit)	(5,055)	(425)
	<hr/>	<hr/>
(Loss)/Profit before taxation	(142)	1,052
	<hr/>	<hr/>
Tax on profit/loss at standard rate of 19% (Prior year 19%)	(27)	200
Expenses not deductible for tax purposes	3	17
Fixed asset differences	(23)	-
Amounts relating to other comprehensive income or otherwise transferred	6,435	(5,106)
Group relief surrendered/(claimed)	716	1,146
Receipt for group relief	(3,770)	-
Adjustments to tax charge in respect of previous periods - deferred tax	22	2
Deferred tax relating to other comprehensive income	(4,111)	5,106
Remeasurement of deferred tax for changes in tax rates	(4,492)	(1,854)
Movement in deferred tax not recognised	192	64
	<hr/>	<hr/>
Total tax expense/(credit) included in profit or loss	(5,055)	(425)
	<hr/>	<hr/>

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 2021 (unaudited)	7,502	6,207	70	13,779
Additions	-	483	40	523
Disposals	-	(445)	(33)	(478)
Balance at 31 December 2021	7,502	6,245	77	13,824
Depreciation				
Balance at 1 January 2021 (unaudited)	5,919	4,991	46	10,956
Depreciation charge for the year	17	312	15	344
Disposals	-	(346)	(30)	(376)
Balance at 31 December 2021	5,936	4,957	31	10,924
Net book value				
At 1 January 2021 (unaudited)	1,583	1,216	24	2,823
At 31 December 2021	1,566	1,288	46	2,900

12 Investment property

	2021 £000
Balance at 1 January 2021 (unaudited)	1,250
Net gain from fair value adjustments	-
Balance at 31 December 2021	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 2021 (unaudited)	10,000	5	685	10,690
At 31 December 2021	10,000	5	685	10,690
Provisions				
At 1 January 2021 (unaudited)	10,000	5	354	10,359
At 31 December 2021	10,000	5	354	10,359
Net book value				
At 31 December 2021	-	-	331	331
At 1 January 2021 (unaudited)	-	-	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.

	2021 £000	2020 £000 (unaudited)
14 Stocks		
Work in progress	4,158	3,541
Finished goods	231	611
	<u>4,389</u>	<u>4,152</u>

Notes (continued)

15 Debtors

	2021 £000	2020 £000 Restated (unaudited)
Trade debtors	11,936	12,564
Amounts owed by group undertakings	37,290	50,144
Other debtors	154	127
Prepayments and accrued income	227	217
	<u>49,607</u>	<u>63,502</u>

The prior year financial statements incorrectly classified amounts deposited with intercompany cash pooling arrangements as Cash at bank and in hand (see note 16). Consequently Amounts owed by group undertakings as at 31 December 2020 has restated from £8,899k as previously reported to £50,144k.

16 Cash and cash equivalents/ bank overdrafts

	2021 £000	2020 £000 Restated (unaudited)
Cash at bank and in hand	-	158
Cash and cash equivalents	<u>-</u>	<u>158</u>

The prior year financial statements incorrectly classified amounts deposited with intercompany cash pooling arrangements as Cash at bank and in hand. Consequently, cash at bank and in hand has been restated from £41,403k as previously reported to £158k. An opposite restatement has been made to Amounts owed by group undertakings – see note 15. As at 31 December 2021 the company had control and access to cash through the cash pooling arrangements totalling £28,549k.

17 Creditors: amounts falling due within one year

	2021 £000	2020 £000 (unaudited)
Bank overdraft	198	-
Trade creditors	7,944	6,352
Amounts owed to group undertakings	34,116	35,206
Taxation and social security	1,320	3,143
Accruals and deferred income	1,102	862
	<u>44,680</u>	<u>45,563</u>

Notes (continued)

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Accelerated capital allowances	1	(71)	-	41	1	(30)
Employee benefits (restated)	(14,328)	(20,412)	-	-	(14,328)	(20,412)
Losses (restated)	(3,405)	(141)	-	-	(3,405)	(141)
Other timing differences	(185)	(160)	-	-	(185)	(160)
Net tax (assets) / liabilities	(17,917)	(20,784)	-	41	(17,917)	(20,743)

In addition to the deferred tax asset above, the Company has additional unrecognised gross tax losses of £3,203,852 (2020: £3,203,852). A deferred tax asset has not been recognised on these losses due to the uncertainty about their realisation in the future.

During preparation of the 2021 financial statements, it was identified that that an error has been made in the analysis of deferred tax assets and liabilities provided. Deferred tax related to Employee Benefits had previously been disclosed as Losses and Deferred Tax related to Losses had been disclosed as relating to Employee benefits. The appropriate descriptions have been updated in the above analysis to provide the correct analysis of deferred taxation as at 31 December 2021 and 31 December 2020. There was no error in the total value of deferred taxation.

In addition, deferred tax included on the balance sheet as at 31 December 2020 excluded amounts relating to Employee Benefits of £20,412k. This amount had previously been incorrectly offset against the pension liability (see note 20). As such the deferred tax balance included on the Balance sheet has been restated from £331k as previously reported to £20,743k.

19 Provisions

	Warranty	Customer Bonus	Other Provisions	Total £000
Balance at 1 January 2021 (unaudited)	871	158	900	1,929
Provisions made during the year	669	172	865	1,706
Provisions used during the year	(54)	(101)	(712)	(867)
Provisions reversed during the year	(582)	(27)	(11)	(620)
Balance at 31 December 2021	904	202	1,042	2,148

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

	2021 £000	2020 £000 Restated (unaudited)
Defined benefit obligation	(239,945)	(268,182)
Plan assets	182,633	160,750
	<u>57,312</u>	<u>107,432</u>

The prior year financial statements incorrectly offset the deferred tax asset associated with the defined benefit pension scheme with the overall pension liability. Such net presentation is not in accordance with the requirements for FRS 102 and as such has been corrected in these financial statements. This has resulted in a restatement of the Pension Liability balance from £87,020k as previously reported to £107,432k. An equal adjustment has been made to deferred taxation (see note 18).

Movements in present value of defined benefit obligation

	2021 £000
At 1 January 2021 (unaudited)	(268,182)
Current service cost	(1,208)
Interest on liabilities	(3,182)
Past service cost	-
Contributions by members	(102)
Actuarial gain	25,354
Benefits Paid	7,375
	<u>(239,945)</u>
At 31 December 2021	<u>(239,945)</u>

Movements in fair value of plan assets

	2021 £000
At 1 January 2021 (unaudited)	160,750
Interest Income	1,997
Actuarial gain	8,514
Employer contributions	18,645
Employee contributions	102
Benefits paid	(7,375)
	<u>182,633</u>
At 31 December 2021	<u>182,633</u>

Notes (continued)

20 Employee benefits (continued)

Expense recognised in the profit and loss account

	2021 £000	2020 £000 (unaudited)
Current service cost	1,208	998
Past service cost	-	-
Net interest on net defined benefit liability	1,185	1,657
	<u>2,393</u>	<u>2,655</u>
Total expense recognised in profit or loss	<u>2,393</u>	<u>2,655</u>

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:

	2021 Fair value £000	2020 Fair value £000 (unaudited)
Equities	59,956	60,678
Bonds	103,647	93,387
Property	-	4,117
Other	19,030	2,568
	<u>182,633</u>	<u>160,750</u>
Actual return on plan assets	<u>8,514</u>	<u>7,616</u>

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

	2021 %	2020 % (unaudited)
Discount rate	1.9	1.2
Future salary increases	3.45	2.8
Retail Price Index	3.55	3.1
Consumer Price Index	2.75	2.1

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: 22.1 years for males and 24.5 years for females.
- Future retiree upon reaching 65: 23.0 years for males and 25.6 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 £394,228 (2020: £377,434)

Notes (continued)

21 Capital and reserves

Share capital

	2021 £000	2020 £000 (unaudited)
Authorised share capital		
Ordinary shares of SwFr £10 each	39	39
Preference shares of £1 each	12,000	12,000
	<u>12,039</u>	<u>12,039</u>
	<u><u>12,039</u></u>	<u><u>12,039</u></u>
	2021 £000	2020 £000 (unaudited)
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
	<u>11,739</u>	<u>11,739</u>
	<u><u>11,739</u></u>	<u><u>11,739</u></u>

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 2020 (unaudited)	11,739	915	(54,778)	(42,124)
Gain for the year (unaudited)	-	-	1,476	1,476
Actuarial loss (note 20) (unaudited)	-	-	(26,874)	(26,874)
Deferred tax on actuarial loss (unaudited)	-	-	5,106	5,106
As at 31 December 2020 (unaudited)	<u>11,739</u>	<u>915</u>	<u>(75,070)</u>	<u>(62,416)</u>
Profit for the year	-	-	4,913	4,913
Actuarial gain (note 20)	-	-	33,868	33,868
Deferred tax on actuarial gain	-	-	(4,111)	(4,111)
Balance at 31 December 2021	<u><u>11,739</u></u>	<u><u>915</u></u>	<u><u>(40,400)</u></u>	<u><u>(27,746)</u></u>

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

Notes (continued)

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:

	2021 £000	2020 £000 (unaudited)
Less than one year	498	293
Between one and five years	1,245	926
More than five years	2	112
	<u>1,745</u>	<u>1,331</u>

During the year £453,046 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £550,975).

23 Contingencies

At 31 December 2021 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 2021 amounted to £1,749,713 (2020: £1,565,691).

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 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.