

Pall Manufacturing UK Limited

Report and Financial Statements for the Period Ended 31 December 2016



Registered Address

Pall Manufacturing UK Limited
5 Harbournate Business Park
Southampton Road
Portsmouth
PO6 4BQ

Registered Number

769075

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**Pall Manufacturing UK Limited
Officers and Advisors**

Directors

C Munslow
S Hart
D Harman
M Ayres
A Mason

Resigned 30 June 2017
Appointed 30 June 2017
Resigned 5 April 2016
Appointed 5 April 2016

Secretary

C Munslow

Registered office

5 Harbourgate Business Park
Southampton Road
Portsmouth
PO6 4BQ

Solicitors

Eversheds LLP
One Wood Street
London
EC2V 7WS

Bankers

HSBC
South Corporate Banking Centre
2nd Floor, HSBC House
Mitchell Way
Southampton
SO18 2XU

Auditor

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Pall Manufacturing UK Limited

Strategic Report for the Period Ended 31 December 2016

Strategic Report

The Directors present their Strategic report for the period ended 31 December 2016.

Principal activity and business review

The principal activity of the Company was the provision of toll manufacturing services to a fellow group company based in Switzerland under a tolling agreement.

The main KPIs of the Company include delivery performance, working capital turns and material variances. During the period the Company met all expectations of the tolling agreement, meeting the demand for the services of the Company while maintaining an appropriate level of quality. The KPI results for Pall Manufacturing UK Limited in relation to the tolling agreement are not available as the tolling agreement is assessed on a site by site basis and evaluated overall by Pall International Sarl.

The Newquay manufacturing site is the global Centre of Excellence for medical products. The site underwent several process improvement kaizens during the period which saw on-time delivery significantly improve. Future growth prospects for the plant look strong, and the Medical management continues to review where Medical products are sourced from globally.

The Ilfracombe site continues to grow based on its focus on the Biopharm market. Revenue growth at the Ilfracombe plant has historically tracked the market trend, so the prospects for the plant look strong.

The Walton Road Portsmouth plant has seen continued growth in the Chromatography Columns business.

On 31 August 2015, Danaher Corporation, a company incorporated in the United States of America, purchased 100% of the share capital of Pall Corporation, the ultimate parent company of Pall Manufacturing UK Limited at that time.

At the time of acquisition, all outstanding share options were cancelled and paid out at \$127.20 (£82.67) per share.

During the period, Danaher Corporation performed various reorganisations in the group structure. As a result of this, in December 2015 the immediate parent company of Pall Manufacturing UK Limited was changed to Launchchange Operations, a subsidiary of Danaher Corporation.

The Company ended the period with net assets of £90.1 million (31 July 2015: £54.7 million) and retained earnings of £34.9 million (31 July 2015: £31.2 million).

Principle risks and uncertainties

Any risks impacting the ultimate parent company will cascade to Pall Manufacturing UK Limited. A full description of the risks and uncertainties impacting the ultimate parent company can be found in the Danaher Corporation group financial statements (see Note 26).

Risks specifically relating to the Company are in meeting the terms of the tolling agreement and in particular the management of adverse manufacturing variances. The on-going operations of the Company are dependent on the tolling agreement, and therefore the continuing relationship with the principal company.

In order to mitigate these risks, the Company maintains regular communication with the principal about manufacturing related issues.

The tolling model that Pall Manufacturing UK Limited operates under has largely removed foreign exchange risk from the Company.

Pall Manufacturing UK Limited
Strategic Report for the Period Ended 31 December 2016 (continued)

Pall Manufacturing UK Limited is the sponsoring employer for The Pall UK Pension Fund, which is closed to new members and accruals. The Pension fund is in a net asset position as at 31 December 2016.

There is a risk that if either the rate of return on UK Government stocks was to decrease or stock markets were to significantly deteriorate the liability of the Company would increase (see Note 23).

The Company is exposed to Cyber Security risks to a similar extent to other Companies in the Industry. The risk is closely monitored and countermeasures taken by highly skilled IT specialists. Additionally, a regular training on this is compulsory for all associates with access to the Company's IT systems.

By order of the board

A handwritten signature in black ink, appearing to be 'A Mason', written over a horizontal line.

A Mason
Director

27 September 2017

Pall Manufacturing UK Limited

Directors' Report for the Period Ended 31 December 2016

The Directors present their report and the audited financial statements for the period ended 31 December 2016. The Directors have elected to present the business review, analysis of key performance indicators and principle risks and uncertainties in the Strategic Report on page 2 to 3.

Directors

The Directors who held office during the period were as follows:

S Hart	Resigned 30 June 2017
M Ayres	Resigned 5 April 2016
C Munslow	
A Mason	Appointed 5 April 2016

In accordance with the Articles of Association, directors are not required to retire from the board on a rotational basis.

Change of accounting reference date

The accounting reference date has been changed from 31 July to 31 December to align with the Danaher Group. Accordingly, these financial statements are prepared for the long period to 17 months ending 31 December 2016.

Accounting policies

The Company has adopted 'Financial Reporting Standard 101 – Reduced Disclosure Framework' ("FRS 101") during the period, further information is available in note 2.

Restatement

In the current period and prior period, the income statement has been presented using the IAS 1 'cost of sales' method rather than the 'nature of expense' method to better reflect the purpose of the expense and provide more relevant information to the user of the financial statements. Further information is detailed in note 2.1.

Recommended dividend

An interim dividend of £55,498,246 (2015: £nil) was paid in the period. No final dividend is proposed.

Future developments

The Directors intend to continue the provision of toll manufacturing services to a fellow group company based in Switzerland under a tolling agreement.

Research and development

Research and development is conducted by other group companies.

Financial instruments

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives. The objectives aim to limit counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Pall Manufacturing UK Limited
Directors' Report for the Period Ended 31 December 2016 (continued)

Employees

The Company recognises the benefits of keeping employees informed of the progress of the business. During the year the employees were regularly provided with information regarding the financial and economic factors affecting the performance of the Company, their site and on other matters of concern to them as employees, through the medium of monthly briefings at employee consultative group meetings for each site. These meetings allow communication of the views of employees which can be taken into account in making decisions which are likely to affect their interests. Twice a year the site consultative groups are brought together for a common UK meeting to address national questions. Minutes of all these meetings are posted on the company intranet for all employees to view.

The group operates an employee share purchase scheme which is available to employees of the Company to enable them to participate in the Company's performance.

The Company's policy with regard to the employment of disabled persons is that equal consideration is given to all applications from both able and disabled persons, subject only to the overriding consideration of safety. The special needs of disabled employees for training and advancement are kept under review.

Events since the balance sheet date

There are no material post balance sheet events.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Director third party indemnities

Danaher Corporation has provided to all Directors limited indemnities in respect of the cost of defending claims against them and third party liabilities. These are all third party indemnity provisions for the purpose of the Companies Act 2006 and are all currently in force.

Disclosure of information to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow Directors and the Company's auditors, each Director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

Ernst & Young LLP have been appointed as the Company's auditor in accordance with section 485 of the Companies Act 2006.

Pall Manufacturing UK Limited
Directors' Report for the Period Ended 31 December 2016 (continued)

By order of the Board



A Mason
Director

Date: 27/9/17

Pall Manufacturing UK Limited

Statement of Directors' Responsibilities

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements for the Period Ended 31 December 2016

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 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 year.

In preparing those 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Independent Auditor's Report to the Members of Pall Manufacturing UK Limited

We have audited the financial statements of Pall Manufacturing UK Limited for the period ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Pall Manufacturing UK Limited (continued)

Matters on which we are required to report by exception

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

Ernst & Young LLP.

*James Harris (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton*

Date 29 SEPTEMBER 2017.

Pall Manufacturing UK Limited

Income Statement For the period ended 31 December 2016

			Restated
	Note	1 August 2015- 31 Dec 2016 £ 000	1 August 2014- 31 July 2015 £ 000
Turnover	3	117,768	82,743
Cost of sales		(103,501)	(74,447)
Gross profit		14,267	8,296
Administrative expenses		(6,321)	(4,415)
Operating profit	4	7,946	3,881
Interest receivable and similar income	7	41	68
Other finance income	23.2	96	18
Interest payable and similar charges	8	(300)	(740)
Profit on ordinary activities before taxation		7,783	3,227
Taxation	9	1,445	2,148
Profit on ordinary activities after taxation		9,228	5,375

All activities derive from continuing operations.

Pall Manufacturing UK Limited

Statement of Other Comprehensive Income For the period ended 31 December 2016

	Note	1 August 2015- 31 Dec 2016	1 August 2014- 31 July 2015
		£ 000	£ 000
Profit for the period		9,228	5,375
Other comprehensive income not recycled to profit or loss:			
Re-measurement (losses)/gains on defined benefit pension plans	23.2	(93)	1,353
Deferred tax on pension movement		35	(271)
		9,170	6,457

The notes on pages 14 to 48 form an integral part of these financial statements.

Pall Manufacturing UK Limited
Balance Sheet as at 31 December 2016

		31 December	31 July
		2016	2015
		£ 000	£ 000
	Note		
Non-current assets			
Intangible assets	11	27	48
Tangible assets	12	35,126	34,342
Investments	13	8,059	13,937
Deferred tax	18	937	-
Long term receivables		-	40,000
		<u>44,149</u>	<u>88,327</u>
Current assets			
Stock	14	-	1,814
Debtors	15	56,765	29,278
Cash at bank and in hand		-	6,376
Corporation tax		302	-
		<u>57,067</u>	<u>37,468</u>
Creditors: Amounts falling due within one year	16	<u>(12,941)</u>	<u>(10,577)</u>
Net current assets		<u>44,126</u>	<u>26,891</u>
Total assets less current liabilities		88,275	115,218
Creditors: Amounts falling due after more than one year	17	-	(62,000)
Deferred tax	18	-	(241)
Net assets excluding pension asset		88,275	52,977
Defined benefit pension asset	23.2	1,866	1,703
Net assets including pension asset		<u>90,141</u>	<u>54,680</u>
Capital and reserves			
Called up share capital	19	52,709	21,000
Share premium	20	2,469	2,469
Retained earnings		<u>34,963</u>	<u>31,211</u>
Total shareholders' equity		<u>90,141</u>	<u>54,680</u>

These financial statements were approved by the Board of Directors on 27th September 2017 and were signed on its behalf by:

.....
A Mason

Director

The notes on pages 14 to 48 form an integral part of these financial statements.

Pall Manufacturing UK Limited

Statement of Changes in Equity for the Period Ended 31 December 2016

	Note	Called up Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total Shareholder's equity £ 000
At 1 August 2014		21,000	2,469	24,754	48,223
Total comprehensive income for the year		-	-	6,457	6,457
31 July 2015		21,000	2,469	31,211	54,680
Total comprehensive income for the period		-	-	9,170	9,170
Shares issued		81,709	-	-	81,709
Share capital reduction		(50,000)	-	50,000	-
Equity dividends paid		-	-	(55,498)	(55,498)
Equity settled share-based payment		-	-	80	80
At 31 December 2016		52,709	2,469	34,963	90,141

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

1 Authorisation of financial statements and statement of compliance with FRS 101

Pall Manufacturing UK Limited ("the Company") is incorporated and domiciled in England and Wales.

The financial statements of Pall Manufacturing UK Limited ("the Company") for the period ended 31 December 2016 were authorised for issue by the Board of Directors on the date shown on the Balance Sheet and were signed on the Board's behalf by A Mason.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Danaher Corporation.

The results of Pall Manufacturing UK Limited are included in the consolidated financial statements of Danaher Corporation which are available from 2200 Pennsylvania Avenue Suite 800 West, Washington DC 20037, USA.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

2.1 Basis of preparation

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 2.4.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures*,
- (b) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i) paragraph 79(a)(iv) of IAS 1;
 - ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment;
 - iii) paragraph 118 (e) of IAS 38 Intangible Assets;
- (d) the requirements of paragraphs 10(d), 10(f), 38A, 38B, 38C, 38D, 111, and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (i) the requirements of paragraphs 130(f)(ii)-130(f)(iii) of IAS 36 Impairment of Assets
- (j) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment because the share based payment arrangement concerns the instruments of another group entity

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

Restatement

In the current period and prior period, the income statement has been presented using the IAS 1 'cost of sales' method rather than the 'nature of expense' method to better reflect the purpose of the expense and provide more relevant information to the user of the financial statements. Additionally, a price adjustment has been reclassified from administrative expenses to turnover. Accordingly, the comparative figures have been restated to reflect the reclassification, the adjustments are set out below:

	31 July 2015 £ 000	Reclass- ifications £ 000	31 July 2015 (restated) £ 000
TURNOVER	62,838	19,905	82,743
Cost of sales	-	(74,447)	(74,447)
GROSS PROFIT	62,838	(54,542)	8,296
Administrative expenses	(59,096)	54,542	(4,554)
OPERATING PROFIT / (LOSS)	3,742	-	3,742

The restatement does not have any impact on previously disclosed equity as at 31 July 2015 and 1 August 2014.

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Depreciation

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.2 Judgements and key sources of estimation uncertainty (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the evaluation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 23.

The going concern basis of accounting has been used to prepare the financial statements. The Directors consider this is appropriate because the Company is and is expected to remain profitable and there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

The Company has applied the following accounting policies consistently in dealing with items which are considered material in relation to the financial statements.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Dividends

Revenue is recognised when the Company's right to receive payment is established.

Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Royalty income

Royalty income is recognised when it becomes receivable.

Tolling fee revenue

Revenue in the Company is derived from tolling fees for manufacturing services performed on behalf of a principal company. The tolling fees are based on the operating costs of the manufacturing plants along with a profit element. Tolling fee is recognised when it becomes receivable.

Intangible assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are capitalised at cost, amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

The estimated useful lives are as follows:

ERP Systems	-	5 years
Other Computer Software	-	3 years

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Freehold buildings	–	2% straight line basis
Furniture and fixtures	–	10% to 12.5% straight line basis
Plant and machinery	–	10% to 33% straight line basis

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Assets in the course of construction are stated at cost. Such assets are transferred to other tangible fixed asset categories and depreciated at the rates stated above when they are brought into use in the business.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Foreign currency

The Company's financial statements are presented in sterling, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the balance sheet date. All exchange differences are included in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date when the fair value was determined.

Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Stocks

Stock is valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials and consumables – a weighted average method is used
- Work in progress and finished goods - cost is taken as the production cost, which includes an appropriate proportion of attributable overheads, excluding borrowing costs
- Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Government Grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met. Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Provision for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised; and
- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include amounts due from group undertakings, trade and other debtors.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

iv) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Financial Liabilities

Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

Share based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Pensions

Defined contribution schemes

The Company operates a group personal pension plan. Contributions are recognised in the income statement in the period in which they become payable in accordance with the rules of the plan.

Defined benefit schemes

The Company operates two closed defined benefit pension schemes, the details of which are found in note 23. The scheme is closed to new members and accruals.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.4 First Time Adoption of FRS 101

For all periods up to and including the year ended 31 July 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice ("UK GAAP"). These financial statements, for the period ended 31 December 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 August 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 August 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first time adoption of FRS101.

Exemptions applied

FRS 101 allows first-time adopters an exemption to the requirements of paragraphs 6 and 21 of IFRS 1 'First-time adoption of International Reporting Standards' to present an opening statement of financial position at the date of transition.

This note explains the principal adjustments made by the Company in restating its UK GAAP balance sheet as at 1 August 2014 and its previously published UK GAAP financial statements as at and for the years ended 31 July 2015.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.4 First Time Adoption of FRS 101 (continued)

RECONCILIATION OF EQUITY AS AT 1 AUGUST 2014

	Notes	UK GAAP £ 000	Reclass- ifications £ 000	Remeasure- ments £ 000	FRS 101 £ 000
FIXED ASSETS					
Tangible assets		36,963	-	-	36,963
Investments		8,337	-	-	8,337
		<u>45,300</u>	<u>-</u>	<u>-</u>	<u>45,300</u>
CURRENT ASSETS					
Stocks		1,530	-	-	1,530
Debtors		82,213	-	-	82,213
Cash at bank and in hand		16,944	-	-	16,944
		<u>100,687</u>	<u>-</u>	<u>-</u>	<u>100,687</u>
CREDITORS: amounts falling due within one year		<u>(33,839)</u>	<u>-</u>	<u>-</u>	<u>(33,839)</u>
NET CURRENT ASSETS		<u>66,848</u>	<u>-</u>	<u>-</u>	<u>66,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>112,148</u>	<u>-</u>	<u>-</u>	<u>112,148</u>
CREDITORS: amounts falling due after more than one year		<u>(62,000)</u>	<u>-</u>	<u>-</u>	<u>(62,000)</u>
Deferred tax	b	<u>(1,580)</u>	<u>-</u>	<u>(538)</u>	<u>(2,118)</u>
NET ASSETS excluding pension liabilities		<u>48,568</u>	<u>-</u>	<u>(538)</u>	<u>48,030</u>
Defined benefit pension asset	b, c	<u>(189)</u>	<u>-</u>	<u>382</u>	<u>193</u>
		<u>48,379</u>	<u>-</u>	<u>(156)</u>	<u>48,223</u>
CAPITAL AND RESERVES					
Called up share capital		21,000	-	-	21,000
Share premium account		2,469	-	-	2,469
Retained earnings		24,910	-	(156)	24,754
TOTAL SHAREHOLDERS EQUITY		<u>48,379</u>	<u>-</u>	<u>(156)</u>	<u>48,223</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

3 Accounting policies (continued)

2.4 First Time Adoption of FRS 101 (continued)

RECONCILIATION OF EQUITY AS AT 31 JULY 2015

	Notes	UK GAAP £ 000	Reclass- ifications £ 000	Remeasure- ments £ 000	FRS 101 £ 000
FIXED ASSETS					
Intangible assets	a	-	48	-	48
Tangible assets	a	34,390	(48)	-	34,342
Investments		13,937	-	-	13,937
Long term receivables	d	-	40,000	-	40,000
		<u>48,327</u>	<u>40,000</u>	<u>-</u>	<u>88,327</u>
CURRENT ASSETS					
Stocks		1,814	-	-	1,814
Debtors	d, b	69,638	(40,000)	(360)	29,278
Cash at bank and in hand		<u>6,376</u>	<u>-</u>	<u>-</u>	<u>6,376</u>
		77,828	(40,000)	-	37,468
CREDITORS: amounts falling due within one year		<u>(10,577)</u>	<u>-</u>	<u>-</u>	<u>(10,577)</u>
NET CURRENT ASSETS		<u>67,251</u>	<u>-</u>	<u>(360)</u>	<u>26,891</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		115,578	-	(360)	115,128
CREDITORS: amounts falling due after more than one year		<u>(62,000)</u>	<u>-</u>	<u>-</u>	<u>(62,000)</u>
Deferred tax		-	-	(241)	(241)
NET ASSETS excluding pension liabilities		<u>53,578</u>	<u>-</u>	<u>(601)</u>	<u>52,977</u>
Defined benefit pension asset	c	-	-	1,703	1,703
		<u>53,578</u>	<u>-</u>	<u>1,102</u>	<u>54,680</u>
CAPITAL AND RESERVES					
Called up share capital		21,000	-	-	21,000
Share premium account		2,469	-	-	2,469
Retained earnings		30,109	-	1,102	31,211
TOTAL SHAREHOLDERS EQUITY		<u>53,578</u>	<u>-</u>	<u>1,102</u>	<u>54,680</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.4 First Time Adoption of FRS 101 (continued)

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JULY 2015

	Notes	Restated UK GAAP £ 000	Reclass- ifications £ 000	Remeasure- ments £ 000	FRS 101 £ 000
TURNOVER		82,743	-	-	82,743
Cost of sales		(74,447)	-	-	(74,447)
GROSS PROFIT		8,296	-	-	8,296
Administrative expenses	c	(4,554)	-	139	(4,415)
OPERATING PROFIT / (LOSS)		3,742	-	139	3,881
Interest receivable and similar income		68	-	-	68
Other finance income	c	576	-	(558)	18
Interest payable and similar charges		(740)	-	-	(740)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,646	-	(419)	3,227
Tax on loss on ordinary activities	b	2,080	-	68	2,148
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,726	-	(351)	5,375
Other comprehensive income for the year, net of tax	b, c	(527)	-	1,609	1,082
Total comprehensive income for the year, net of tax		5,199	-	1,258	6,457

a) Under FRS 101 computer software has been reclassified from tangible assets to intangible assets.

b) The deferred tax balance as at 1 August 2014 and 31 July 2015 has been restated as a result of the adoption of FRS 101. The main adjusting items were fixed assets, defined benefit pension balances and share options.

c) Under previous UK GAAP the surplus on Pall (UK) Pension Fund ("the Scheme") assets was not recognised on the Company's Balance Sheet. Under FRS 101 it has been established that the Company has an unconditional right to a refund of the surplus under certain circumstances and therefore the surplus has been recognised on the Balance Sheet as a net asset.

Under previous UK GAAP the expected return on scheme assets was recognised in the profit and loss account together with an interest cost on scheme liabilities. Under FRS 101, the expected return on asset assumption is replaced with a discount rate and the income statement shows the interest income on scheme assets.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

2 Accounting policies (continued)

2.4 First Time Adoption of FRS 101 (continued)

c) (continued)

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 23.2.

d) An intercompany loan has been reclassified from current to non-current receivables. This was previously shown in current debtors albeit with a note indicating it was due after one year.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

3 Turnover

All turnover is derived from a fellow subsidiary in Europe.

4 Operating profit

Operating profit is stated after charging:

	1 August 2015 – 31 December 2016 £ 000	1 August 2014 – 31 July 2015 £ 000
Hire of other assets (Operating leases)	381	298
Foreign currency gains	1,006	89
Loss on sale of tangible fixed assets	166	136
Depreciation of owned tangible fixed assets	6,767	5,100
	<u> </u>	<u> </u>

Fees for the audit of the company's annual accounts were paid by a fellow subsidiary of Danaher Corporation.

5 Particulars of employees

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

	2016 No.	2015 No.
Productive departments	1,012	1,018
General administration	8	16
	<u>1,020</u>	<u>1,034</u>

The aggregate payroll costs of these persons were as follows:

	1 August 2015 – 31 December 2016 £ 000	1 August 2014 – 31 July 2014 £ 000
Wages and salaries	52,427	39,254
Redundancy	629	626
Share based payments	(547)	85
Social security	4,127	2,883
Other pension costs	1,616	1,103
	<u>58,252</u>	<u>43,951</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

6 Directors' emoluments

The disclosure of the emoluments of the UK directors is available in the accounts of Pall Europe Limited.

7 Interest receivable and similar income

	1 August 2015 – 31 December 2016 £ 000	1 August 2014 – 31 July 2015 £ 000
Interest receivable from group undertakings	36	53
Other interest receivable	5	15
	<u>41</u>	<u>68</u>

8 Interest payable and similar charges

	1 August 2015 – 31 December 2016 £ 000	1 August 2014 – 31 July 2015 £ 000
Interest payable to group undertakings	276	740
Other interest payable	24	
	<u>300</u>	<u>740</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

9 Taxation

Analysis of current period tax (credit) / charge

TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period ended 31 December 2016 £'000	Year ended 31 July 2015 £'000
The tax (credit)/charge comprises:		
Current tax - UK		
Corporation tax at the standard rate of 20% / 20.67%	-	-
Adjustment in respect of prior periods	(302)	-
Total current tax	<u>(302)</u>	<u>-</u>
Deferred tax		
(Credit)/charge for current year - including pension	(1,143)	585
Adjustment in respect of prior periods	-	(2,733)
	<u>(1,143)</u>	<u>(2,148)</u>
Taxation (credit)/charge for the year	<u><u>(1,445)</u></u>	<u><u>(2,148)</u></u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

9 Taxation (continued)

The differences between the total current tax shown above and the amount calculated by applying the rate of UK corporation tax to the profit before tax are as follows:

	Period ended 31 December 2016 £'000	Year ended 31 July 2015 £'000
Profit before tax	7,783	3,227
Corporation tax at the standard rate of 20% (31 December 2014: 20.25%)	1,557	667
Effects of:		
(Income not taxable)/Expenses not deductible for tax purposes	(12)	73
FA transfer at tax value	-	(131)
Differences in tax rates	65	(24)
Prior year adjustment to deferred tax	-	(2,733)
Group relief surrendered for nil consideration	(2,753)	-
Adjustments to tax charge in respect of previous periods (UK tax)	(302)	-
Adjustments to tax charge in respect of previous periods (foreign tax)	-	-
Total taxation charge/(credit) for the year	<u>(1,445)</u>	<u>(2,148)</u>

CORPORATION TAX

	Period ended 31 December 2016 £	Year ended 31 July 2015 £
Current tax asset/(liability) as at beginning of the period	-	-
Prior year adjustment	302	-
Current tax asset/(liability) as at the period end	<u>302</u>	<u>-</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

10 Dividends

	1 August 2015 – 31 December 2016 £ 000	1 August 2014 – 31 July 2015 £ 000
A dividend of £1.053 (2015: nil) per ordinary share was paid during the period	55,498	-

11 Intangible fixed assets

	Computer software £ 000
Cost	
As at 31 July 2015	656
Transfers to group companies	(15)
As at 31 December 2016	<u>641</u>
Amortisation	
As at 31 July 2015	608
Charge for the period	21
Transfers to group companies	(15)
As at 31 December 2016	<u>614</u>
Net book value	
As at 31 December 2016	<u>27</u>
As at 31 July 2015	<u>48</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

12 Tangible fixed assets

	Freehold land and buildings £ 000	Furniture & fixtures £ 000	Plant and machinery £ 000	Total £ 000
Cost				
As at 1 August 2015	17,022	16,410	87,315	120,747
Additions	-	525	9,784	10,309
Transfers from group companies	-	-	-	-
Transfers to group companies	-	(91)	(267)	(358)
Disposals	(1)	(14)	(2,637)	(2,652)
As at 31 December 2016	<u>17,021</u>	<u>16,830</u>	<u>94,195</u>	<u>128,046</u>
Depreciation				
As at 1 August 2015	9,077	12,615	64,713	86,405
Charge for the period	460	886	7,901	9,247
Transfers from group companies	-	-	-	-
Transfers to group companies	-	(49)	(197)	(246)
Disposals	-	-	(2,486)	(2,486)
As at 31 December 2016	<u>9,537</u>	<u>13,452</u>	<u>69,931</u>	<u>92,920</u>
Net book value				
As at 31 December 2016	<u>7,484</u>	<u>3,378</u>	<u>24,264</u>	<u>35,126</u>
As at 31 July 2015	<u>7,945</u>	<u>3,795</u>	<u>22,602</u>	<u>34,342</u>

The net book value of the land and buildings comprises entirely freehold land and buildings.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

13 Fixed Asset Investments

	Shares in group undertakings	Other investments	Total
	£000	£000	£000
Cost			
As at 1 August 2015	15,682	41	15,723
Addition	19,620	-	19,620
Disposals	(25,498)	-	(25,498)
As at 31 December 2016	<u>9,804</u>	<u>41</u>	<u>9,845</u>
Provision			
As at 1 August 2015	(1,786)	-	(1,786)
As at 31 December 2016	<u>(1,786)</u>	<u>-</u>	<u>(1,786)</u>
Net book value			
As at 31 December 2016	<u>8,018</u>	<u>41</u>	<u>8,059</u>
As at 31 July 2015	<u>13,896</u>	<u>41</u>	<u>13,937</u>

During the year, the Company subscribed for 19,619,977 additional new ordinary shares with a nominal value of £1 each in Pall Technology UK Ltd. Subsequent to this, the Company's entire interest in Pall Technology UK Ltd and Pall Verwaltungs GmbH was transferred to PLLN CV under a written resolution at a value of £25.5 million.

The Company holds more than 20% of the share capital of the following companies directly:

	Country of incorporation	Principal activity	Class	%
Subsidiary undertakings				
Pall Europe Limited	England	Sales & services	Ordinary	100

The Directors believe that the value of investments at 31 December 2016 was not less than the book value of £8,059,000.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

14 Stocks and work in progress

	2016	2015
	£ 000	£ 000
Raw materials and consumables	-	1,814
	<u>-</u>	<u>1,814</u>

The difference between purchase price and their replacement cost is not considered to be material.

15 Debtors

	2016	2015
	£ 000	£ 000
Amounts owed by group undertakings	54,560	27,807
Other debtors	1,909	732
Prepayments and accrued income	296	739
	<u>56,765</u>	<u>29,278</u>

Amounts owed by group undertakings include interest bearing and non-interest bearing balances.

16 Creditors: Amounts falling due within one year

	2016	2015
	£ 000	£ 000
Trade creditors	3,723	1,780
Amounts owed to group undertakings	1,948	760
Social security and other taxes	195	237
Accruals and deferred income	7,075	7,800
	<u>12,941</u>	<u>10,577</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

17 Creditors: Amounts falling due after more than one year

	2016	2015
	£ 000	£ 000
Intercompany loan due after more than five years	-	62,000
	<u>-</u>	<u>62,000</u>

Rate of borrowing

In the prior year the Company had a loan for £62,000,000 from a group entity based in The Netherlands. This loan bore an interest rate of 0.125% above one year LIBOR and was repayable on 21 October 2028. The loan was not secured against specific assets of the Company. In the current year the loan was set off in full against the issue of new ordinary shares.

18 Deferred tax

	Period ended 31 December 2016 £'000	Year ended 31 July 2015 £'000
Deferred tax asset/(liability) as at 1 August	(241)	(2,118)
Credit/(charge) to the Income Statement	1,143	(585)
Adjustment in respect of prior years	-	2,733
Credit/(charge) to other comprehensive income	35	(271)
Deferred tax asset/(liability) as at 31 December/31 July	<u>937</u>	<u>(241)</u>

The amounts provided for deferred taxation are set out below:

	Period ended 31 December 2016 £'000	Year ended 31 July 2015 £'000
Fixed assets	780	(990)
Short term timing differences	157	749
Deferred tax asset/(liability) as at 31 December/31 July	<u>937</u>	<u>(241)</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

18 Deferred tax (continued)

Notes regarding change in tax rates

The tax rates to be used are those which have been enacted or substantively enacted by the balance sheet date. For UK tax rates, 'substantively enacted' means that the Act or other measure legislating that rate has passed through all stages of reading by the House of Commons (i.e. the act has had its third reading). Finance No.2 Bill 2015 became substantively enacted on 26 October 2015, and as such the tax rate was reduced from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020. It was announced in the 2016 Budget that the tax rate will further reduce to 17% from 1 April 2020; when this is enacted it is not expected to have a material impact on the accounts. Finance Act 2016 was enacted on 15 September 2016 and confirmed the reduction of the main rate of corporation tax to 17% from 1 April 2020.

Under FRS 101, deferred tax should be measured using the tax rates that are expected to apply to the reversal of the timing differences. As such, deferred tax has been calculated at 19%.

19 Share capital

	2016 £ 000	2015 £ 000
Allotted, called up and fully paid		
Equity		
As at 1 August 2015:		
21,000,000 Ordinary shares of £1.00 each	21,000	21,000
Ordinary shares issued	81,709	-
Cancellation of ordinary shares	(50,000)	-
As at 31 December 2016:	<u>52,709</u>	<u>21,000</u>

20 Share premium

The share premium reserve represents the amount above the nominal value received for shares issued, less transaction costs.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

21 Commitments

Capital commitments

Expenditure contracted for but not provided in the financial statements:

	2016	2015
	£ 000	£ 000
Contracted	7,076	-

22 Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	2015
	£ 000	£ 000
Not later than one year	156	127
After one year but not more than five years	89	189
	<u><u>245</u></u>	<u><u>316</u></u>

23 Pension schemes

23.1 Defined contribution pension plan

The Company operates a group personal pension plan. The pension cost charge for the period represents contributions payable by the Company to the plan and amounted to £1,616,347 (2015 - £1,102,810). Contributions to defined contribution plans for key management personnel are disclosed in the financial statements of Pall Europe Limited.

Contributions totalling £229,235 (2015 - £217,983) were payable to the Plan at the end of the year and are included in creditors.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

23.2 Defined Benefit Pension Schemes

The Company operates two defined benefit pension schemes, both of which are now closed to new members and accruals. The Pall (UK) Pension Fund has around 1,646 members of which around 1,061 are deferred. The Pall Supplementary Pension Scheme was open to certain members of the Pall (UK) Pension Fund and has similar investments to that scheme.

The Company adopted FRS 101 to replace the FRS17 UK accounting standard with effect from 1 August 2015. The main element of the new FRS standard that impacts the calculation of the pension expense for 17 months ending 31 December 2016 is that the long term expected return on asset assumption is effectively replaced by the discount rate.

The pension expense for the 17 months ending 31 December 2016 includes no charges/credits due to special events. Over the 17 months to 31 December 2016, the lump sum contributions paid by the Company and positive investment performance increased asset values. This was almost matched by an increase in liabilities over the period largely as a result of a decrease in the discount rate (although experience gains on the liabilities, updated future mortality projections, and lower inflation and inflation related assumptions served to reduce the discount rate impact on the liabilities). Overall the net asset has increased slightly over the period.

The youngest member of the Pall (UK) Pension Fund is due to retire in 29 years. The oldest member of the Pall UK Pension Plan who is still due to receive his pension, reached normal retirement date on 5 July 2008. The youngest member of the Pall Supplementary Pension Scheme is due to retire in over 5 years.

Changes in Actuarial Methods

The Company has adopted FRS 101 to replace the FRS 17 accounting standard with effect from 1 August 2015 onwards. There have been no changes to the actuarial methods or accounting policies since the prior valuation, except for the changes required for the transition to the new accounting standard FRS 101. For the 2015 year-end, it has been necessary to restate the disclosure information for the year to 31 July 2015 to reflect the new FRS 101 standard. Under the new FRS 101 standard, the long term expected return on asset assumption used under FRS 17 is effectively replaced by the discount rate.

Under the new FRS 101 standard, the treatment of any pension accounting surplus is different and is clarified in the IFRIC 14 ruling. A surplus in the Scheme can be recognised in the balance sheet under accounting standard FRS 101 as a net asset.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

23.2 Defined Benefit Pension Schemes - continued

The following tables are an analysis of defined benefit obligations, the fair value of plan assets and the amounts recognised in the income statement for the Pall (UK) Pension Fund and Pall Supplementary Pension Scheme.

Amounts recognised

Income Statement charge

	1 August 2015 – 31 Dec 2016 2016 £'000	1 August 2014 – 31 July 2015 £'000
Components of defined benefit cost		
Net interest cost		
Interest expense on defined benefit obligation	10,302	7,667
Interest income on plan assets	(10,398)	(7,685)
Total net interest cost	(96)	(18)
Administrative expenses	771	522
Defined benefit cost included in income statement	675	504

Re-measurements recognised in Other Comprehensive Income

	1 August 2015 – 31 Dec 2016 2016 £'000	1 August 2014 – 31 July 2015 £'000
Effect of changes in demographic assumptions	(2,520)	(4,369)
Effect of changes in financial assumptions	36,936	17,187
Effect of experience adjustments	(384)	(42)
Return on plan assets (excluding interest income)	(33,939)	(14,129)
	93	(1,353)

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

23.2 Defined Benefit Pension Schemes - continued

Change in benefit obligation

	31 Dec 2016 £'000	31 July 2015 £'000
Defined benefit obligation at end of prior period	196,190	181,158
Interest expense	10,302	7,667
Benefit payments from plan assets	(9,654)	(5,411)
Remeasurements:		
Effect of changes in demographic assumptions	(2,520)	(4,369)
Effect of changes in financial assumptions	36,936	17,187
Effect of experience adjustments	(384)	(42)
Defined benefit obligation at end of period	230,870	196,190

Change in plan assets

	31 Dec 2016 £'000	31 July 2015 £'000
Fair value of plan assets at end of prior period	197,893	181,351
Interest income	10,398	7,685
Employer contributions	931	661
Benefit payments from plan assets	(9,654)	(5,411)
Administrative expenses from plan assets	(771)	(522)
Return on plan assets (excluding interest income)	33,939	14,129
Fair value of plan assets at end of period	232,736	197,893

Amounts recognised in the Balance Sheet

	31 Dec 2016 £'000	31 July 2015 £'000
Defined benefit obligation	230,870	196,190
Fair value of plan assets	232,736	197,893
Funded status	(1,866)	(1,703)
Effect of asset ceiling	-	-
Net defined benefit asset	(1,866)	(1,703)

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

23.2 Defined Benefit Pension Schemes - continued

Assumptions

The following table details the main weighted-average actuarial assumptions adopted to determine the defined benefit obligation:

	31 Dec 2016	31 July 2015
Discount rate	2.69%	3.80%
Pensions-in-payment increase rate (RPI max 5%)	3.10%	3.40%
Deferred pension increase rate (CPI)	2.20%	2.50%
Price inflation rate (RPI)	3.20%	3.50%
Assumed life expectancy on retirement at age 65:		
Retiring today (member age 65)		
Male/Female	24.2/26.3	24.4/26.5
Retiring in 25 years (member age 40) Male/Female	27.0/29.2	27.1/29.4

The following table details the main weighted-average actuarial assumptions adopted to determine the defined cost:

	31 Dec 2016	31 July 2015
Discount rate	3.80%	4.30%
Pensions-in-payment increase rate (RPI max 5%)	3.40%	3.50%
Deferred pension increase rate (CPI)	2.50%	2.50%
Price inflation rate (RPI)	3.50%	3.50%
Assumed life expectancy on retirement at age 65:		
Retiring today (member age 65)	24.4/26.5	24.6/27.9
Male/Female		
Retiring in 25 years (member age 40) Male/Female	27.1/29.4	26.5/29.9

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

23.2 Defined Benefit Pension Schemes - continued

Sensitivity analysis on principal assumptions

The following table shows a sensitivity analysis of changes in key assumptions on the defined benefit obligation:

	31 Dec 2016
<i>Present value of defined benefit obligation</i>	
Discount rate -50 basis points	256,927
Discount rate +50 basis points	208,180
 <i>Weighted average duration of defined benefit obligation (in years)</i>	
Discount rate -50 basis points	21.39
Discount rate +50 basis points	20.69

Assets

The fair value and the major categories of scheme assets are as follows:

	2015 £ 000	2015 £ 000
Cash and cash equivalents	2,600	1,380
Equities	59,148	49,129
Debt instruments	29,956	24,358
Property	10,166	10,616
Hedge Funds	68,358	56,502
Other	62,508	55,908
	<hr/> 232,736 <hr/>	<hr/> 197,893 <hr/>

Actual return on plan assets

The actual return on plan assets was £44,337,000 (period ending 31 July 2015: £21,814,000)

Funding

The expected employer contributions from the Company to the Pall UK Pension Fund and Supplementary Scheme in the next year is £2,680,000. The expected total benefit payments in the next year are £5,152,000.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

24 Share based payments

Pall stock

The weighted average remaining contractual life for the options and RSUs outstanding at 31 July 2015 was 1 year.

The range of exercise price for options outstanding at the end of the prior year was £0.

The weighted average share price at the date of exercise for the shares exercised in the prior year is £80.

The Company has recorded no liability on the balance sheet following cancellation of remaining options under the scheme (2015: £541,000).

The Company recorded total income of £509,000 in the period (2015: expenses of £85,000).

Danaher stock

Stock options and restricted stock units (RSUs) have been issued to officers and other employees under the Group's 2007 Stock Incentive Plan.

The 2007 Stock Incentive Plan provides for the grant of stock options, stock appreciation rights, RSUs, restricted stock or any other stock based award. A total of approximately 76 million shares of Danaher common stock have been authorized for issuance under the 2007 Stock Incentive Plan, of which no more than 23 million shares may be granted in any form other than stock options or stock appreciation rights.

Stock options generally vest pro-rata over a five-year period and terminate ten years from the grant date. Option exercise prices for options granted by Danaher Corporation are the closing price on the New York Stock Exchange of the common stock of Danaher Corporation on the date of grant.

RSUs issued under the 2007 Stock Incentive Plan provide for the issuance of a share of the common stock of Danaher Corporation at no cost to the holder. The RSUs that have been granted to employees under the 2007 Stock Incentive Plan generally provide for time-based vesting over a five-year period, although the specific time-based vesting terms vary depending on grant date. Prior to vesting, RSUs do not have dividend equivalent rights or voting rights and the shares underlying the RSUs are not considered issued and outstanding.

The equity compensation awards generally vest only if the employee is employed by the company on the vesting date or in other limited circumstances. To cover the exercise of options and vesting of RSUs, Danaher Corporation generally issues new shares from its authorised but unissued share pool although it may instead issue treasury shares in certain circumstances.

The weighted average remaining contractual life for the options outstanding at 31 December 2016 was 9 years.

The range of exercise price for options outstanding at the end of year was £66 to £87.

The weighted average share price at the date of exercise for the shares exercised in 2016 is £0.

Pall Manufacturing UK Limited
Notes to the financial statements for the period ended 31 December 2016

24 Share based payments (continued)

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period if the employee becomes retirement eligible before the end of the vesting period). The fair value for RSU awards was calculated using the closing price of the common stock of Danaher Corporation on the date of grant, adjusted for the fact that RSUs do not accrue dividends. The fair value of the options granted was calculated using a Black Scholes Merton option pricing model ("Black-Scholes").

25 Related parties

As the company is a wholly owned subsidiary of the Danaher Corporation, the company has taken advantage of the exemption under paragraph 8(k) of FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the group.

26 Controlling Entity

The Company's immediate parent undertaking is Launchange Operations Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Danaher Corporation, a company incorporated in the United States of America.

The only group in which the results of the company are consolidated is that headed by Danaher Corporation. No other group financial statements include the results of the Company. The consolidated accounts of this group are available to the public and may be obtained from the company website or by contacting the company at 2200 Pennsylvania Avenue NW, Suite 800W, Washington, DC 20037, United States of America.