

Pall Manufacturing UK Limited

Annual report and Financial Statements for the Year Ended 31 December 2020

Registered Address

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

Registered Number

769075



Pall Manufacturing UK Limited

Contents

Officers and advisors	1
Strategic report	2-5
Directors' report	6-11
Statement of Directors' responsibilities	12
Independent auditor's report	13-16
Income Statement	17
Statement of Comprehensive Income	18
Balance Sheet	19
Statement of Changes in Equity	20
Notes to the financial statements	21-47

**Pall Manufacturing UK Limited
Officers and Advisors**

Directors	C Munslow (resigned 31 December 2020) D Harman A Mason V Merefield (appointed 31 December 2020)
Secretary	T Lowe
Registered office	5 Harbournate Business Park Southampton Road Portsmouth PO6 4BQ
Solicitors	Eversheds LLP One Wood Street London EC2V 7WS
Bankers	HSBC 8 Canada Square Canary Wharf London E14 5HQ
Auditor	Ernst & Young LLP Grosvenor House Grosvenor Square Southampton SO15 2BE

Pall Manufacturing UK Limited
Strategic Report for the Year Ended 31 December 2020

Strategic Report

The Directors present their Strategic report for the period ended 31 December 2020.

Principal activity and business review

The principal activity of the Company is the provision of manufacturing services to Pall International Sarl, a fellow group company based in Switzerland under a tolling agreement.

The main KPIs of the Company include monitoring on time delivery performance, working capital turns, product quality and financial planning 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 Company consists of three manufacturing plants which each focus on production for different sectors of the Company's product portfolio.

The Newquay plant in Cornwall manufactures medical products and is the global Centre of Excellence for this sector.

The Ilfracombe site in Devon, is predominantly supporting the sales of consumables into the Biotech market and continues to grow to meet the market trend.

The Portsmouth plant in Hampshire focuses on hardware production for both the Life Science and Industrial markets.

During 2020, business strategy has remained consistent with prior years, the efficient manufacturing of products to meet our end Customers requirements. The Company continues to utilize practices and tools from the (DBS) Danaher Business Systems suite, methodically ensuring our products are produced to the highest quality standards. This embedded culture of agility at adapting our manufacturing capabilities has never been more crucial than in 2020. Especially in Newquay and Ilfracombe, where production focus was constricted to prioritise product ranges supporting Covid 19 treatment and containment.

The Company ended the period with net assets of £134.9 million (31 December 2019: £120.0 million) and retained earnings of £79.8 million (31 December 2019: £64.8 million). Turnover increased by 11.5% to £98.2 million, the increase was largely due to the increased productivity in the Newquay site to meet the high demand of manufacturing products supporting hospitals during the COVID-19 pandemic.

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 22).

The tolling agreement is the arrangement for the provision of manufacturing services on behalf of Pall International Sarl, based in Switzerland and therefore all production revenue is intercompany income. 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 Pall International Sarl, based in Switzerland.

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

Pall Manufacturing UK Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Principle risks and uncertainties (continued)

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

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 2020.

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 19).

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, regular training on this is compulsory for all associates with access to the Company's IT systems.

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172.

This S172 statement, explains how the Directors:

- a) have engaged with employees, suppliers, customers and others; and
- b) have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

The Board has a clear framework for determining the matters within its remit and certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Delegation of Authority sets out the delegation and approval process across the broader business.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The company is part of the DanaHER group which is a global group of companies listed on the New York Stock Exchange, and all of its shares are held internally within the DanaHER group. The DanaHER group of companies embrace the DanaHER Business System (DBS) into its core values. The business, its Directors and employees embody the core values of building the best team, continuously improving and driving innovation and this is included in each decision made in the short or long term.

The Directors understand the business and the evolving environment in which it operates, including the related challenges. The company manufactures Biopharmaceutical and Medical products as part of a toll manufacturing service provided to a fellow group company. The strategy set by the Board is intended to strengthen the position as a leading manufacturing services company by providing quality products while keeping safety and social responsibility fundamental to the business approach.

Pall Manufacturing UK Limited
Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172(1) Statement (continued)

S172(1) (B) "The interests of the company's employees"

The Directors recognise that employees are fundamental and core to the business and delivery of its strategic ambitions. The success of the business depends on attracting, retaining and motivating employees. From ensuring that it remains a responsible employer, from pay and benefits to the health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

Employee engagement, organisational culture, attracting and retaining talent is key to the business and to Danaher group. The company complies with all employment legislation. A key driver in the Danaher culture is to embed diversity and inclusion. Each year all employees have the opportunity to take part in a Danaher wide independent employee survey, the results of which are reviewed in detail and actions taken. An annual appraisal program is followed for all employees. The Directors recognise that our pensioners, though no longer employees, also remain important stakeholders.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering the Company's strategy requires strong mutually beneficial relationships with suppliers, customers and government. The Company seeks the promotion and application of sound corporate governance principles in such relationships, which are prescribed in standards such as the Supplier Code of Conduct which governs the Company's approach to suppliers. The Company continuously assess the priorities related to customers and those with whom we do business, and the Board is involved in this process through business strategy updates and considering investment or divestment proposals.

The Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from the finance and/or legal department (e.g. supplier contract management topics) to information provided by the Financial Planning and Analysis Department (on customers related to business strategies, projects and investment or divestment proposals).

S172(1) (D) "The impact of the company's operations on the community and the environment"

The Board receives information on these topics to both provide relevant information for specific Board decisions (e.g. those related to specific strategic initiatives such as investment or divestment proposals, business strategy reviews, etc.) and to provide ongoing overviews (e.g., regular Health & Safety updates, reports from internal audit).

In light of the COVID-19 pandemic, the Directors approved the implementation of a steering committee to monitor the COVID-19 risk to associates and to ensure their wellbeing during this time.

The company participates in various charitable activities during the year, the pandemic has prevented this from being on-site but the company has continued this tradition remotely enabling associates to participate and raising donations to the annual appointed charities.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Company aims to meet the growing needs for Biopharmaceutical and Medical products manufactured in ways which are economically, environmentally and socially responsible. The Board periodically reviews and approves clear frameworks, such as the Standards of Conduct, specific Ethics & Compliance manuals, and ensures all personnel participate in training which cover topics such as Bribery and Modern Slavery.

All personnel have access to the Danaher Integrity and Compliance Helpline, as well as the Danaher reporting platform through which any compliance or ethics issues can be discussed or reported to Danaher Corporation, the ultimate holding company. The Company also performs due diligence before entering into new supplier or distributor agreements. These measures ensure that high standards of business conduct are maintained both within the Company and its business relationships.

Pall Manufacturing UK Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172(1) Statement (continued)

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of the Company's strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, the Directors act fairly between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Principal decisions

Below, we outline some of the principal decisions made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholders and how stakeholder interests were considered over the course of decision-making.

- **Brexit – impact on supply chain & regulations**

In order to ensure continued supply during the Brexit transition the board engaged with Pall International Sarl and their suppliers to ensure we could meet demand in the event of any import restrictions. This review included plans to hold additional inventories at our factories and where critical supplies review options for a second source. Our Brexit plan also included review of regulations regarding CE marking and REACH registrations which have been updated to meet the requirements of the UK no longer being part of the EU.

- **Divestiture to Cytiva**

On March 31, 2020, the ultimate parent company, Danaher Corporation, acquired the Biopharma business of General Electric Company's Life Sciences division, now known as Cytiva, for a cash purchase price of approximately \$21.0 billion.

Cytiva is a leading provider of instruments, consumables and software that support the research, discovery, process development and manufacturing workflows of biopharmaceutical drugs. As a condition to obtaining certain regulatory approvals for the closing of the transaction, Danaher is required to divest certain of its existing product lines in the Life Sciences segment.

The board worked with Danaher in assessing the impact on Pall Manufacturing of this divestiture, which was approximately £2.3 million per annum, less than 3% of its annual revenue. A headcount of 63 associates were transferred to Cytiva whilst also incurring costs to support the transition of the business.

- **Capex Investment**


During the year, the Directors approved an investment in capital expenditure within the Ilfracombe site to increase productivity. An investment of £580k was made in Presto machinery in order to meet an increased customer demand. The cleanroom facilities were also extended to accommodate the machinery. An additional investment of £446k was made in Model Cell, this was part of a Pall initiative to move to new technology which allows in-line manufacturing and better production flow, which in turn leads to better productivity. This resulted in increased productivity in terms of increased output with less involvement with associates.

- **Covid-19**

In order to cope with the COVID-19 pandemic, the directors implemented a steering committee to monitor the COVID-19 risk to associates and to ensure their wellbeing during this time. The company implemented processes such as social distancing, provision of PPE, changes to work practices and made testing available to associates on site. As well as ensuring associate health and safety, the committee worked to ensure a reliable supply chain in order to meet its demands.

By order of the board

A Mason
Director

DocuSigned by:

4A73156C890843D...

8th October 2021

Pall Manufacturing UK Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020. 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 5.

Directors

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

C Munslow (resigned 31 December 2020)
A Mason
D Harman
V Merefield (appointed 31 December 2020)

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

Accounting policies

The Company prepares its financial statements in accordance with 'Financial Reporting Standard 101 – Reduced Disclosure Framework' ("FRS 101") and applicable accounting standards, further information is available in note 2.

Recommended dividend

No dividends were paid during the year (2019: £nil). 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 Year Ended 31 December 2020

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 considered in making decisions which are likely to affect their interests. Various times 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 Company's policy regarding 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

Dividends

During the period since the Balance Sheet date, Pall Manufacturing has received a dividend from its subsidiary Pall Europe of £8.5 million. In addition to this Pall Manufacturing has paid a dividend to its immediate parent company Launchchange operations Limited of £16.5 million.

Danaher UK Defined Benefit Pension Merger

Following a review of the five Danaher Group defined benefit schemes in the UK, operated through five different Danaher UK subsidiaries, it was concluded that merging them into one single larger scheme would provide cost and efficiency advantages for the individual entities and the group plus bring benefits to scheme members through the use of direct member access to information about their benefits, and a greater financial guarantee to support the scheme. The five schemes were:

1. The Beckman Coulter Pension Plan
2. The Jacobs Manufacturing Company Limited Retirement Benefits Scheme
3. The Leica Pension Scheme
4. The Pall (UK) Pension Fund
5. The Willett International Limited Pension and Death Benefits Plan

Accordingly, on 31 January 2021 the five schemes merged into a single scheme named the 'DH UK Pension Scheme'. The merged scheme has two sections:

1. PLJ Section – made up of the membership of the previous Pall, Leica and Jacobs schemes; and
2. BW Section – made up of the membership of the previous Beckman Coulter and Willett schemes.

This is a non-adjusting post balance sheet event with no impact on the pension scheme disclosures in note 19 for the 31 December 2020 year end. The directors are currently assessing the impact on the accounting and disclosures for future years, within the company, but do not anticipate any negative impact on the company's results or financial position as a result of the merger.

COVID-19

The global spread of a novel strain of coronavirus (COVID-19) has led to unprecedented restrictions on, and disruptions in, business and personal activities, including as a result of preventive and precautionary measures that we, other businesses, our communities and governments have taken and are taking to mitigate the spread of the virus and to manage its impact. The Company continues to actively monitor the pandemic and has taken and intends to continue taking steps to identify and

Pall Manufacturing UK Limited
Directors' Report for the Year Ended 31 December 2020

COVID-19 (continued)

mitigate the adverse impacts on, and risks to, the Company's business (including but not limited to its employees, customers, business partners, manufacturing capabilities and capacity, and supply and distribution channels) posed by the spread of COVID-19 and the governmental and community responses thereto. The Company's businesses have activated their business continuity plans in response to the pandemic, including taking steps in an effort to help keep our workforce healthy and safe, and are assessing and updating those plans on an ongoing basis. As a result of COVID-19 the Company's businesses have modified certain of their respective business practices (including in many cases with respect to employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and the Company expects to take such further actions as may be required by government authorities or as determined to be in the best interests of our employees, customers and other business partners. The Company has developed return-to-work protocols designed to help ensure the health and safety of its employees, customers and business partners, for its businesses to apply as and when return-to-work is legally permissible and deemed appropriate. We are also working with our suppliers to understand the existing and potential future negative impacts to our supply chain and take actions in an effort to mitigate such impacts. To date we have not experienced any significant supply chain disruptions. Given that the prevalence of COVID-19 and the nature of the response thereto (including the degree to which restrictions are being relaxed or re-imposed) varies significantly by geography, the impact of the pandemic on the Company's different business locations around the world at any given time also varies significantly.

Going Concern

The ongoing Covid 19 pandemic has highlighted the importance of the Life sciences industry, in which the Company plays an important part.

At the time of approving these financial statements, the pandemic has had no adverse impact on the Company. The demand for the company's products has increased and accordingly the forecast for coming periods, covering the period to December 2022, has been adjusted to reflect the director's current expectations of the impact on results for the remainder of 2021 and future periods. Whilst there have been restrictions on staff movement the business has operated with minimal disruption and in accordance with strong internal Covid controls, e.g. social distancing, PPE, enhanced cleanliness regime to be able to continue to service customers.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2021 full year impact cannot yet be known but the directors are confident that they have put in place measures to ensure the impact is mitigated as much as possible, with protection of staff, continuity of supply chain, continued service delivery to customers and ongoing productivity being maintained.

The circumstances of COVID-19 currently assessed as significant are:

- **People:** Our manufacturing plants have continued to operate during the pandemic. To comply with government and company COVID-19 guidelines we have introduced measures to facilitate social distancing e.g. shift working and working from home where applicable. We have increased our cleaning regimes and use of face masks where required.
- **Health & safety:** Through use of risk assessment and following company guidelines additional H&S tools have been introduced including wearing of PPE, floor marking & one-way systems to comply with social distancing, enhanced cleaning regimes and regular H&S toolbox communications.
- **Opportunities:** The company manufactures products in 2 key areas to support the global fight against COVID-19

Pall Manufacturing UK Limited

Directors' Report for the Year Ended 31 December 2020

Going Concern (continued)

1. Breathing filters, manufactured at our Newquay plant, which are used in conjunction with ventilators to protect patients.
2. Hardware & consumables, manufactured in our Portsmouth & Ilfracombe plants, used in the manufacture of COVID-19 vaccines.

Pall Manufacturing is closely linked to its fellow group company and investment Pall Europe. Pall Europe holds the bank accounts serving both Pall Manufacturing and Pall Europe. This means that Pall Europe bears the risk for the two companies. However, Pall Europe is part of the Danaher UK group cash pool arrangement. As part of the group cash pool arrangement, company cash holdings remain in the ownership of each company and are not subject to cash sweeping. All members of the cash pool have entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies.

Pall Manufacturing is trading profitably with a strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due. The cash position of the UK group is strong and therefore the company has access to sufficient operating funds as necessary.

After making due enquiries and considering the impact of COVID-19, UK Group cash pool and the funding strength of the ultimate parent undertaking, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements.

Accordingly, the financial statements have been prepared on the going concern basis.

Political contributions

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

Streamlined energy and carbon reporting

The Directors present their Streamlined energy and carbon reporting for year ended 31st December 2020

Our environment

The Company recognises its responsibility to minimise its impact on the natural environment and continues its commitment to reduce its energy consumption, carbon emissions, water usage and waste.

Energy Consumption and Carbon Emissions

Energy consumption continues to be a priority for Pall Manufacturing UK Limited. Our sites in both Portsmouth and Newquay carried out energy focused kaizens during 2020 with Ilfracombe leading the way in 2019.

- In Portsmouth, we identified a 15.7% savings in energy by reducing lighting in over lit areas, installing variable speed drives in larger motors that can operate at reduced speed for certain operations and closing and insulating a hot water process. The site is reporting 20.7% energy savings / revenue
- The Newquay team identified 15.2% reduction in energy use from upgrading belts and pulleys in motors, installing insulation and LED lighting upgrades and implementing a compressed air leak detection program. The site reports a 10.53% energy savings / revenue
- Our factory in Ilfracombe implemented electrification projects to recover and reduce natural gas requirements. The site reports 7.39% reduction in energy/revenue
- In early 2020, all UK sites switched to British Gas electricity provider. The provider is emission free, this means from 2021, all UK sites will have zero emissions from electricity (Scope 2). Programs are also underway to electrify our factories.

Pall Manufacturing UK Limited

Directors' Report for the Year Ended 31 December 2020

Streamlined energy and carbon reporting (continued)

- Pall has embarked on a journey to green our company car fleet. We have committed to ensure that 100% of our fleet, across EMEA, is transitioned to electric by 2030 and have taken significant steps forward with electric vehicles being introduced as company car options for all associates, in all countries, from 2021 onwards. Our early success in this area can be seen in the UK, where the transition started in 2020. 100% of our associates who were offered a vehicle renewal were encouraged to, and did, select an EV instead of a more traditional internal combustion engine vehicle. This means that 50% of our UK fleet will have either ultra-low or zero carbon emissions by the end of 2021.

Greenhouse gas emissions

We report Scope 1 and 2 emissions defined by the Greenhouse Gas protocol as follows:

Scope 1 (Direct emissions): operation of facilities; and

Scope 2 (Indirect emissions): consumption of purchased electricity, heat and steam.

Greenhouse gas emissions data

Emissions data in respect of the 2020 reporting period was as follows

	CO2e tonnes
Emission Type	2020
Scope1: Operation of facilities	2,035.72
Scope 1: Operation of Leased or Owned Vehicles	81.69
Scope 2: Purchase Energy (UK)	5,829.41
Total Emissions	7,946.82

Greenhouse gas emissions intensity ratio:

	2020
Total footprint (Scope 1 and Scope 2) – CO2e tonnes	7,926.34
Turnover (£000)	98,200
Intensity Ratio (CO2e tonnes/£000)	0.81

Scope and Methodology:

Our methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which set out a 'dual reporting' methodology for the reporting of Scope 2 emissions.

We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors Report Regulations 2013), except where stated.

This report includes emissions under Scope 1 and 2, except where stated, but excludes emissions from Scope 3.

Conversion factors for UK electricity, gas and other emissions are those published by the department for business, Energy and Industrial strategy 2018.

Waste

In 2020, Pall Ilfracombe and Portsmouth sites reported zero waste to landfill achieved through a close working relationship with our waste vendor Axil Integrated Services. Waste that can not be recycled is sent to energy from waste facilities throughout the UK. The Newquay site has scheduled a waste minimisation kaizen event in 2021 to review and implement best practice circular waste approaches. The waste to landfill ratio for the Pall Manufacturing UK sites is currently 17% waste to landfill with a view to decrease to 0% by 2024.

Water

We assess water risk at our sites by using the WRI Aqueduct program to determine current water scarcity, future water scarcity (2030 Business as Usual Scenario), current water usage and current water cost. The four parameters are assigned a risk score. None of the Pall Manufacturing sites fall within the risk range for water scarcity. However, Pall relies on high quality incoming water to produce

Pall Manufacturing UK Limited
Directors' Report for the Year Ended 31 December 2020

Streamlined energy and carbon reporting (continued)

membranes for our filters, the process is water intensive. We also depend on wastewater treatment plants to accept the wastewater from our membrane manufacturing process. We are working closely with UK government entities to treat our waste water to effluent requirements with an ultimate goal to be able to treat our wastewater effluent to incoming quality standards, so that we can reuse water in our membrane manufacturing process indefinitely.

Gas, Electricity and Water

The Pall Manufacturing UK sites used 20,591,340 KWH of electricity, 10,944,944 KWH of natural gas and 203,161 m3 of water in 2020


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.

By order of the Board

DocuSigned by:

4A73156C890843D...

A Mason
Director

Date: 8th October 2021

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 Year Ended 31 December 2020

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

Opinion

We have audited the financial statements of Pall Manufacturing UK Limited for the year ended 31 December 2020 which comprise the Income Statement, Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23, 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 101 "Reduced Disclosure Framework (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 2020 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the Company's financial close process to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key factors were considered in their assessment.
- Obtaining management's going concern assessment, including the cashflow forecasts and group cash pooling arrangements for the going concern period which covers the period to 31 December 2022, and then performing procedures to validate the cash pooling arrangement with the respective banks.
- The company is part of the Danaher UK cash pooling arrangement. If the company falls into a net liabilities position, then as a member of the cash pool arrangement, a short-term support mechanism will be created to provide funds if required. The cash pool is a non-sweeping cash pool and accordingly the profits and cash generated by each member company belongs to them to utilize and for the company directors to manage and control. We have reviewed the terms and conditions of the cash pool arrangements with the respective banks. Management have provided an overview of the current expectations for the year and expected cash levels and we have considered this as part of our assessment.
- We have obtained the UK group forecast which indicates a net profit and positive cash position. We have assessed that the group has a strong cash position at the year end and confirmed that the company has access to further funds through the cash pool if required.
- We have compared the investment value with the current carrying value of the subsidiaries and have noted no impairment indicators.

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

- We read board meeting minutes and assessed whether there was any information contradictory to the directors' use of the going concern basis of accounting.
- We assessed the appropriateness of the disclosures included in the annual report and accounts with respect to the use of the going concern assertion.

We observed that at 31 December 2020 the Company had net assets of £135 million. The company provides manufacturing services to Pall International Sarl, a fellow group company under a tolling agreement. During the year the company turnover increased by 11.5% to £98.2 million, the increase was largely due to the increased productivity in the Newquay site to meet the high demand of manufacturing products supporting the health sector during the COVID-19 pandemic. The company does not operate a bank account and uses its subsidiary bank account to perform its transactions. In addition, to this the company has access to the group cash pool arrangement, if required. Further dividend payments from subsidiaries may be requested as necessary to fund company cash requirements.

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 to 31 December 2022.

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.

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 there is 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.

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

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations, Competition Law, anti-bribery and corruption regulations and General Data Protection Requirements.
- We understood how the company is complying with those frameworks by holding enquiries with management and those charged with governance. We understood the potential incentive and ability to override controls, and employee access to guidance of how to report any instances on non-compliance. We understood any controls put in place by wider group management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussing with senior finance personnel and those charged

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

- with governance as to the rationale behind the specific accounting transactions. Due to the nature of the company, as a toll manufacturer the risk of material misstatement is deemed to be low.
- 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 as to any fraud identified or suspected in the period, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the company.
 - Auditing the risk of management override of controls, through testing of a sample of journal entries and other adjustments for appropriateness.
 - Enquiry of management, coupled with testing of journal entries, in order to identify and understand any significant transactions outside of the normal course of business;
 - Challenging the judgements made by management through corroborating the basis for those judgments and considering contradicting evidence; and
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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.

Ernst & Young LLP

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

Date: 11 October 2021

Pall Manufacturing UK Limited

Income Statement
For the year ended 31 December 2020

		2020	2019
	Note	£ 000	£ 000
Turnover	3	98,200	88,028
Cost of sales		(86,697)	(77,081)
Gross profit		11,503	10,947
Administrative expenses		(3,267)	(3,907)
Operating profit	4	8,236	7,040
Income from investments		36	-
Other Income		7,738	-
Other finance income	19.2	845	1,174
Profit on ordinary activities before taxation		16,855	8,214
Taxation	7	(561)	(492)
Profit on ordinary activities after taxation		16,294	7,722

All activities derive from continuing operations.

Pall Manufacturing UK Limited

Statement of Other Comprehensive Income For the year ended 31 December 2020


		2020	2019
	Note	£ 000	£ 000
Profit for the year		16,294	7,722
Other comprehensive income not recycled to profit or loss:			
Re-measurement (losses) on defined benefit pension plans	19.2	(871)	(2,355)
Deferred tax on pension movement	14	(606)	437
		14,817	5,804

The notes on pages 21 to 47 form an integral part of these financial statements.

Pall Manufacturing UK Limited
Balance Sheet as at 31 December 2020

		2020	2019
		£ 000	£ 000
	Note		
Non-current assets			
Intangible assets	8	8	15
Tangible assets	9	42,097	42,097
Investments	10	12,052	12,081
Right of Use assets		68	-
		<u>54,225</u>	<u>54,193</u>
Current assets			
Debtors	12	61,167	43,527
Corporation tax	7	302	302
		<u>61,469</u>	<u>43,829</u>
Creditors: Amounts falling due within one year	13	<u>(12,939)</u>	<u>(11,791)</u>
Net current assets		<u>48,530</u>	<u>32,038</u>
Total assets less current liabilities		<u>102,755</u>	<u>86,231</u>
Creditors: Amounts falling due after more than one year		(43)	-
Deferred tax liability	14	<u>(8,371)</u>	<u>(7,204)</u>
Net assets excluding pension asset		<u>94,341</u>	<u>79,027</u>
Defined benefit pension asset	19.2	40,644	40,995
		<u>134,985</u>	<u>120,022</u>
Net assets including pension asset		<u>134,985</u>	<u>120,022</u>
Capital and reserves			
Called up share capital	15	52,709	52,709
Share premium	16	2,469	2,469
Retained earnings		<u>79,807</u>	<u>64,844</u>
Total shareholders' equity		<u>134,985</u>	<u>120,022</u>

These financial statements were approved by the Board of Directors on 8th October 2021 and were signed on its behalf by:

DocuSigned by:


 A Mason 4A73156C890843D...
 Director

Pall Manufacturing UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total Shareholder's equity £ 000
31 December 2018	52,709	2,469	58,932	114,110
Total comprehensive income for the year	-	-	5,804	5,804
Shares issued	-	-	-	-
Share capital reduction	-	-	-	-
Equity dividends paid	-	-	-	-
Equity settled share-based payment	-	-	108	108
At 31 December 2019	52,709	2,469	64,844	120,022
Total comprehensive income for the year	-	-	14,817	14,817
Shares issued	-	-	-	-
Share capital reduction	-	-	-	-
Equity dividends paid	-	-	-	-
Equity settled share-based payment	-	-	146	146
At 31 December 2020	52,709	2,469	79,807	134,985

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

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 year ended 31 December 2020 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 accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2020.

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*; Para 76 and 79(d) of IAS 40 *Investment property*; and Para 50 of IAS 41 *Agriculture*
- (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 year ended 31 December 2020

2 Accounting policies (continued)

COVID-19 and going concern

The COVID-19 pandemic has continued to spread across the world. The directors have considered the impact of COVID-19 as well as the availability of funds described in the Directors' Report on pages 6 to 11. Given this assessment the directors have a reasonable expectation that the Company has adequate resources to continue its operations for the 12 months to September 2022.

The company is trading profitably with a strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due. The cash position of the UK group is strong and therefore the company has access to sufficient operating funds as necessary.

After making due enquiries and considering the impact of COVID-19, UK Group cash pool and the funding strength of the ultimate parent undertaking, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements.

Accordingly, the financial statements have been prepared on the going concern basis.

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.

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

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.2 Judgements and key sources of estimation uncertainty (continued)

Impairment of non-financial assets (continued)

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 19.

2.3 Significant accounting policies

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

Revenue recognition

On 1st January 2018, the Company adopted IFRS 15- Revenue from Contracts with Customers. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 requires a five-step model to account for revenue from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration that an entity expects in exchange for transferring goods or services to a customer. The Company adopted IFRS 15 using the modified retrospective method for all contracts. Where the company only receives turnover in the form of tolling fees, the adoption of IFRS 15 has no impact on the primary financial statements of the company for any years presented within the financial statements.

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.

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.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Right-of-use assets and lease liabilities

IFRS 16 "Leases" became mandatorily applicable for financial years commencing on or after 1st January 2019. The standard replaces the existing guidance on leases, IAS 17 "Leases". The Company applied the standard for the first time in the prior year.

A lease arrangement is established by a contract which conveys to the user of the asset (the lessee) the right to control an identified asset for a period of time in exchange for consideration. IFRS16 details that all leases and their associated contractual rights and obligations should be recognised in the Balance Sheet of the lessee unless the term is 12 months or less or if the lease is considered low value.

Pall Manufacturing UK Limited took part in a group-wide project which analysed the leases held by the company, it determined that due to the low value of the leases, all equipment leases held such as photocopier and forklift 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. The group policy with regards to vehicle leases is that the right of use asset and associated liabilities are shown in the balance sheet. However, due to the immaterial value, disclosures relating to these are not shown separately in these accounts.

Right-of-use assets

A right to use asset is capitalised at the commencement date of the lease, this is generally equivalent to the present value of the future lease payments plus directly attributable costs and amortised over the term of the lease.

Right-of-use liabilities

For each lease, the company recognises a liability for future lease obligations measured at the present value of the lease payments. Lease payments are apportioned between the finance charges and a reduction of the lease liability.

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 year ended 31 December 2020

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.

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.

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.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

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.

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

Effective from 1st January 2018 IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: recognition and measurement. The standard brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The company has applied IFRS 9 retrospectively with no impact on the primary financial statements for any years presented within the financial statements.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Financial instruments (continued)

i) Financial assets

Initial recognition and measurement

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive cash. Under IFRS 9, debt instruments are measured at fair value through profit or loss, amortised cost or fair value through OCI. Financial assets within the scope of IFRS 9 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. The classification depends on the purpose for which the investments were acquired or originated.

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

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 the accounting standard. 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

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment. 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

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Impairment of assets (continued)

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.

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.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

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.

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.

Investments

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

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

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.

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 19. 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

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

2 Accounting policies (continued)

2.3 Significant accounting policies (continued)

Defined benefit schemes (continued)

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.

3 Turnover

All turnover is derived from a fellow subsidiary in Europe.

4 Operating profit

Operating profit is stated after charging / (crediting):

	2020 £ 000	2019 £ 000
Hire of other assets (Operating leases)	49	97
Foreign currency (gains) / loss	(95)	52
Loss on sale of tangible fixed assets	8	-
Depreciation of owned tangible fixed assets	6,262	5,425
Impairment of investment	-	365
Amortisation of intangible assets	7	5
	<u> </u>	<u> </u>

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

5 Particulars of employees

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

	2020	2019
Productive departments	1,416	1,362
General administration	15	14
	<u>1,431</u>	<u>1,376</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

5 Particulars of employees (continued)

The aggregate payroll costs of these persons were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	49,044	44,395
Redundancy	-	-
Share based payments	146	108
Social security	4,005	3,685
Other pension costs	1,525	1,445
	<u>54,720</u>	<u>49,633</u>

6 Directors' emoluments

The costs associated with the directors of the Company are borne by an associate company, Pall Europe Limited.

The Directors' emoluments for the year are as follows:

	2020 £ 000	2019 £ 000
Directors' remuneration (including benefits in kind)	763	679
Share based payments	147	124
Directors' pension contributions	23	22
	<u>933</u>	<u>825</u>

No cost allocation is performed between the Companies as it is not practical to allocate the Director's time between each subsidiary.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

7 Taxation

Analysis of current period tax (credit) / charge

	Period ended 31 December 2020 £'000	Period ended 31 December 2019 £'000
The tax charge comprises:		
Current tax - UK		
Corporation tax at the standard rate of 19% / 19%	-	-
Adjustment in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Charge for current year - including pension	584	1,574
Adjustment in respect of prior periods	(23)	(1,082)
	<u>561</u>	<u>492</u>
Taxation charge for the year	<u><u>561</u></u>	<u><u>492</u></u>

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

7 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 2020 £'000	Period ended 31 December 2019 £'000
Profit before tax	16,854	8,214
Corporation tax at the standard rate of 19% (31 December 2019: 19%)	3,202	1,561
Effects of:		
Expenses not deductible/(Income not taxable) for tax purposes	50	100
Differences in tax rates	25	(185)
Prior year adjustment to deferred tax	(23)	(1,082)
Group relief surrendered for nil consideration	(2,693)	98
Adjustments to tax charge in respect of previous periods (UK tax)	-	-
Total taxation charge for the year	<u>561</u>	<u>492</u>

CORPORATION TAX

	Period ended 31 December 2020 £	Period ended 31 December 2019 £
Current tax asset as at beginning of the period	302	302
Prior year adjustment	-	-
Current tax asset as at the period end	<u>302</u>	<u>302</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

8 Intangible fixed assets

	Computer software £ 000
Cost	
As at 31 December 2019	653
Additions	-
Disposals	-
As at 31 December 2020	<u>653</u>
Amortisation	
As at 31 December 2019	638
Charge for the period	7
Eliminated on disposals	-
As at 31 December 2020	<u>645</u>
Net book value	
As at 31 December 2020	<u>8</u>
As at 31 December 2019	<u>15</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

9 Tangible fixed assets

	Freehold land and buildings £ 000	Furniture & fixtures £ 000	Plant and machinery £ 000	Total £ 000
Cost				
As at 1 January 2020	17,767	17,057	114,583	149,407
Additions	193	27	6,116	6,336
Transfers from group companies	-	-	-	-
Transfers to group companies	-	-	-	-
Disposals	-	(15)	(1,059)	(1,074)
As at 31 December 2020	<u>17,960</u>	<u>17,069</u>	<u>119,640</u>	<u>154,669</u>
Depreciation				
As at 1 January 2020	10,526	15,233	81,551	107,310
Charge for the period	354	538	5,370	6,262
Transfers from group companies	-	-	-	-
Transfers to group companies	-	-	-	-
Disposals	-	(12)	(988)	(1,000)
As at 31 December 2020	<u>10,880</u>	<u>15,759</u>	<u>85,933</u>	<u>112,572</u>
Net book value				
As at 31 December 2020	<u>7,080</u>	<u>1,310</u>	<u>33,707</u>	<u>42,097</u>
As at 31 December 2019	<u>7,241</u>	<u>1,824</u>	<u>33,032</u>	<u>42,097</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 year ended 31 December 2020

10 Fixed Asset Investments

	Shares in group undertakings £000	Other investments £000	Total £000
Cost			
As at 1 January 2020	13,797	436	14,233
Additions	-	-	-
Disposals	-	(395)	(395)
As at 31 December 2020	13,797	41	13,838
Provision			
As at 1 January 2020	(1,786)	(366)	(2,152)
Impairment	-	-	-
Disposals	-	366	366
As at 31 December 2020	(1,786)	-	(1,786)
Net book value			
As at 31 December 2020	12,011	41	12,052
As at 31 December 2019	12,011	70	12,081

During the year, Pall Slovakia was fully liquidated.

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
Pall Arabia	Saudi Arabia	Sales & services	Ordinary	70

The Directors believe that the value of investments at 31 December 2020 was not less than the book value of £12,052,000.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

11 Stocks and work in progress

Pall Manufacturing UK Ltd does not hold any stocks. All stock is owned by the group company, Pall International Sarl, with which Pall Manufacturing has a tolling agreement with.

12 Debtors

	2020 £ 000	2019 £ 000
Amounts owed by group undertakings	60,592	42,658
Other debtors	225	534
Prepayments and accrued income	350	335
	<u>61,167</u>	<u>43,527</u>

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

13 Creditors: Amounts falling due within one year

	2020 £ 000	2019 £ 000
Trade creditors	8,021	6,455
Amounts owed to group undertakings	50	26
Social security and other taxes	64	151
Operating leases	20	-
Accruals and deferred income	4,784	5,159
	<u>12,939</u>	<u>11,791</u>

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

14 Deferred tax

	Year ended 31 December 2020 £'000	Period ended 31 December 2019 £'000
Deferred tax liability at the beginning of the period	(7,204)	(7,148)
(Charge) to the Income Statement	(584)	(1,575)
Adjustment in respect of prior years	23	1,082
(Charge)/credit to other comprehensive income	(606)	437
Deferred tax (liability) as at 31 December	<u>(8,371)</u>	<u>(7,204)</u>

The amounts provided for deferred taxation are set out below:

	Period ended 31 December 2020 £'000	Period ended 31 December 2019 £'000
Fixed assets	(869)	(390)
Other short-term timing differences	-	-
Impact of defined benefit pension scheme	(7,502)	(6,814)
Deferred tax (liability) as at 31 December	<u>8,371</u>	<u>(7,204)</u>

Notes regarding change in tax rates

The main rate of corporation tax in the UK is 19%. There is a deferred tax rate change impact in these statutory accounts, reflecting the reversal in Finance Act 2020 of the planned rate reduction from 19% to 17%. Finance Bill 2021, published on 11 March 2021, includes an increase to the main rate of corporation tax to 25% from 1 April 2023. Deferred tax is reflected at the current rate of 19% in these accounts since this change was not substantively enacted by the balance sheet date.

The impact of the change to 25% in future periods is estimated to increase the closing DTL by £2,643k.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

15 Share capital

	2020 £ 000	2019 £ 000
Allotted, called up and fully paid		
Equity		
As at 1 January:		
52,709,170 Ordinary shares of £1.00	<u>52,709</u>	<u>52,709</u>
As at 31 December:	<u>52,709</u>	<u>52,709</u>

16 Share premium

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

17 Commitments

Capital commitments

Expenditure contracted for but not provided in the financial statements:

	2020 £ 000	2019 £ 000
Contracted	2,560	3,263

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

18 Operating lease commitments

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

	Other	
	2020 £ 000	2019 £ 000
Not later than one year	94	45
After one year but not more than five years	217	80
	<hr/> 311	<hr/> 125

19 Pension schemes

19.1 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 £1,525,131 (2019 - £1,444,534). Contributions to defined contribution plans for key management personnel are disclosed in the financial statements of Pall Europe Limited.

Contributions totalling £303,663 (2019 - £284,307) were payable to the Plan at the end of the year and are included in creditors.

19.2 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 1,506 members of which around 689 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.

Over the year to 31 December 2020 the surplus has fallen by £0.4 million, with the Funds having a surplus of £40.6 million as at 31 December 2020. This is as a result of various factors:

- The Funds' benefit obligation has increased by £34.2 million due to a change in assumptions used to measure the liabilities. This was mainly due to a decrease in the discount rate and higher long-term future inflation expectations. This was partially offset by shorter future life expectancies.
- During the year the Funds' assets were approximately £32.6 million higher than expected due to better than expected investment performance over the year in excess of the discount rate assumption.
- The interest income over 2020 on the Funds' assets were around £0.8 million higher than the interest cost on the benefit obligation.
- A past service cost of £368,000 was recognised in respect of the estimated impact of the 20 November 2020 Lloyds judgement regarding GMP equalisation in respect of historic transfers.
- There was an experience gain on the liabilities of £0.7 million over the year arising from pension member experience.
- During 2020, the contributions made by the Company into the fund were £0.1 million higher than expenses paid over the period.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

19 Pension schemes (continued)

19.2 Defined Benefit Pension Schemes (continued)

The youngest member of the Pall (UK) Pension Fund is due to retire in 35 years. The oldest member of the Pall UK Pension Plan who is still due to receive their pension, reached normal retirement date in 2008.

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

	2020 £'000	2019 £'000
Components of defined benefit cost		
Service costs		
Past service cost	368	-
Total service cost	368	-
Net interest cost		
Interest expense on defined benefit obligation	4,061	5,189
Interest income on plan assets	(4,906)	(6,363)
Total net interest (income)	(845)	(1,174)
Administrative expenses	557	661
Defined benefit cost included in income statement	80	(513)

Re-measurements recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Effect of changes in demographic assumptions	(3,204)	(7,873)
Effect of changes in financial assumptions	37,361	31,785
Effect of experience adjustments	(653)	(897)
Return on plan assets (excluding interest income)	(32,633)	(20,660)
Re-measurements losses recognised in Other Comprehensive Income	871	2,355

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

19 Pension schemes (continued)

19.2 Defined Benefit Pension Schemes (continued)

Change in benefit obligation

	2020 £'000	2019 £'000
Defined benefit obligation at end of prior period	201,446	182,130
Interest expense	4,061	5,189
Past service cost	368	-
Benefit payments from plan assets	(8,756)	(8,888)
Remeasurements:		
Effect of changes in demographic assumptions	(3,204)	(7,873)
Effect of changes in financial assumptions	37,361	31,785
Effect of experience adjustments	(653)	(897)
Defined benefit obligation at end of period	230,623	201,446

Change in plan assets

	2020 £'000	2019 £'000
Fair value of plan assets at end of prior period	242,441	220,361
Interest income	4,906	6,363
Employer contributions	600	4,606
Benefit payments from plan assets	(8,756)	(8,888)
Administrative expenses from plan assets	(557)	(661)
Return on plan assets (excluding interest income)	32,633	20,660
Fair value of plan assets at end of period	271,267	242,441

Amounts recognised in the Balance Sheet

	2020 £'000	2019 £'000
Defined benefit obligation	(230,623)	(201,446)
Fair value of plan assets	271,267	242,441
Funded status	40,644	40,995
Effect of asset ceiling	-	-
Net defined benefit asset	40,644	40,995

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

19 Pension schemes (continued)

19.2 Defined Benefit Pension Schemes (continued)

Assumptions

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

	Dec 2020	Dec 2019
Discount rate	1.35%	2.06%
Pensions-in-payment increase rate (RPI max 5%)	1.40%	2.10%
Deferred pension increase rate (CPI)	2.50%	1.90%
Price inflation rate (RPI)	3.00%	2.90%
Assumed life expectancy on retirement at age 65:		
Retiring today (member age 65) Male/Female	22.4 / 24.1	22.5/24.0
Retiring in 25 years (member age 40) Male/Female	24.0 / 25.6	24.7/26.0

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

	Dec 2020	Dec 2019
Discount rate	1.35%	2.06%
Pensions-in-payment increase rate (RPI max 5%)	3.00%	2.90%
Deferred pension increase rate (CPI)	2.50%	1.90%
Price inflation rate (RPI)	3.00%	2.90%
Assumed life expectancy on retirement at age 65:		
Retiring today (member age 65) Male/Female	22.4 / 24.1	22.5/24.0
Retiring in 25 years (member age 40) Male/Female	24.0 / 25.6	24.7/26.0

Sensitivity analysis on principal assumptions

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

	Dec 2020
<i>Present value of defined benefit obligation</i>	
Discount rate -50 basis points	251,853
Discount rate +50 basis points	211,827
<i>Weighted average duration of defined benefit obligation (in years)</i>	
Discount rate -50 basis points	17.8
Discount rate +50 basis points	17.3

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

19 Pension schemes (continued)

19.2 Defined Benefit Pension Schemes (continued)

Assets

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

	2020 £ 000	2019 £ 000
Cash and cash equivalents	4,866	3,296
Equities	30,210	11,479
Debt instruments	56,238	53,433
Property	14,679	13,748
Other including hedge funds	165,274	160,465
	271,267	242,421

Actual return on plan assets

The actual return on plan assets was £37,539,000 (period ending 31 December 2019: £27,023,000)

Funding

The expected employer contributions from the Company to the Pall UK Pension Fund and Supplementary Scheme in the next year is £600,000. The expected total benefit payments in the next year are £6,799,000.

20 Share based payments

Danaher stock

The expense in the income statement relating to share based payments can be found in note 5.

Stock options and restricted stock units (RSUs) have been issued to officers and other employees of the company 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

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

20 Share based payments (continued)

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 2020 was 7 years.

The range of exercise price for options outstanding at the end of year was \$38 to \$164.

The weighted average share price at the date of exercise for the shares exercised in 2020 is \$197.

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").

21 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.

22 Controlling Entity

The Company's immediate parent undertaking is Launchchange 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.

Pall Manufacturing UK Limited
Notes to the financial statements for the year ended 31 December 2020

23 Post-balance sheet events

Dividends

During the period since the Balance Sheet date, Pall Manufacturing has received a dividend from its subsidiary Pall Europe of £8.5 million. In addition to this Pall Manufacturing has paid a dividend to its immediate parent company Launchchange operations Limited of £16.5 million.

Danaher UK Defined Benefit Pension Merger

Following a review of the five Danaher Group defined benefit schemes in the UK, operated through five different Danaher UK subsidiaries, it was concluded that merging them into one single larger scheme would provide cost and efficiency advantages for the individual entities and the group plus bring benefits to scheme members through the use of direct member access to information about their benefits, and a greater financial guarantee to support the scheme. The five schemes were:

1. The Beckman Coulter Pension Plan
2. The Jacobs Manufacturing Company Limited Retirement Benefits Scheme
3. The Leica Pension Scheme
4. The Pall (UK) Pension Fund
5. The Willett International Limited Pension and Death Benefits Plan

Accordingly, on 31 January 2021 the five schemes merged into a single scheme named the 'DH UK Pension Scheme'. The merged scheme has two sections:

1. PLJ Section – made up of the membership of the previous Pall, Leica and Jacobs schemes; and
2. BW Section – made up of the membership of the previous Beckman Coulter and Willett schemes.

This is a non-adjusting post balance sheet event with no impact on the pension scheme disclosures in note 19 for the 31 December 2020 year end. The directors are currently assessing the impact on the accounting and disclosures for future years, within the company, but do not anticipate any negative impact on the company's results or financial position as a result of the merger.