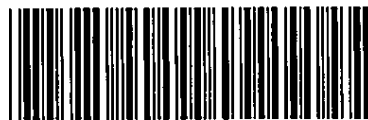


# **Eriez Magnetics Europe Limited Directors' Report and Accounts**

**31 December 2007**

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# **Eriez Magnetics Europe Limited**

## **Directors' report for the year ended 31 December 2007**

The directors submit their report and the audited accounts of the company for the year ended 31 December 2007

### **Review of the business**

The principal activity of the company continues to be the design and manufacture of equipment for use in material movement, separation, purification and metal detection

### **Future developments**

The company will continue to seek to expand its sales in continental Europe

### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

### **Price risk**

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

### **Credit risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically by the board.

### **Liquidity risk**

The company actively manages its cash and short-term debt finance to ensure the company has sufficient funds for operations and planned expansions.

# Eriez Magnetics Europe Limited

## Directors' Report for the year ended 31 December 2007 (continued)

### Interest rate cash flow risk

The company has only interest bearing assets. Interest bearing assets include only cash balances, which earn interest at a variable rate. The directors will revisit the appropriateness of this policy should the company's change in size or nature.

### Results and dividends

The company's profit for the financial year was £1,390,000 (2006: £586,000). The directors paid an interim dividend during the year of £Nil per share (2006: £nil). The final proposed dividend is £Nil (2006: £nil) in respect of the year and the profit of £1,390,000 (2006: £586,000) will be added to reserves.

### Directors and their interests

The directors who served during the year and their shareholdings in the ultimate parent undertaking and the company at the end of the year were as follows:

	Ultimate parent undertaking		Company	
	Class A Ordinary shares		Ordinary £1 shares	
	2007	2006	2007	2006
	Number	Number	Number	Number
A J Lewis	250	250	1	1
Mrs J Jamieson	-	-	1	1
P Fears	-	-	-	-
J Curwen (appointed 1 July 2007)	-	-	-	-

### Share options

The table below details movements in directors' share options in the year:

	At 1 January 2007	Granted in year	Waived in year	At 31 December 2007
	Number	Number	Number	Number
A J Lewis	-	-	-	-
Mrs J Jamieson	-	-	-	-
P Fears	5,000	-	-	5,000
J Curwen	-	-	-	-

The options granted are for shares in the parent company Eriez Manufacturing Company, which is incorporated in the United States of America.

# **Eriez Magnetics Europe Limited**

## **Directors' Report for the year ended 31 December 2007 (continued)**

The year of grant, exercise price and exercise dates in respect of these options is as follows:-

<b>Year of grant</b>	<b>Exercise price</b>	<b>Exercise dates</b>	<b>Number</b>
2005	\$1 38	31 July 2010	2,500
2005	\$1 38	31 July 2015	2,500

The options have been acquired for US \$1 38 per share and are being paid for via a payroll deduction plan

No other share options accrue to any of the directors

### **Charitable donations**

During the year the company made charitable donations of £1,239 (2006 £764) to various UK based organisations

### **Payment of creditors**

The company's standard settlement terms are 60 days from delivery Actual payments are made 30 days from the end of the month following delivery At 31 December 2007 the company's creditor days compared to the value of suppliers' invoices received in the year was 7 days (2006 19 days)

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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 The directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue as a going concern

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 10 under Note 1 'Accounting policies' They also confirm that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware Relevant information is defined as *"information needed by the company's auditors in connection with preparing their report"*

Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

# **Eriez Magnetics Europe Limited**

## **Directors' Report for the year ended 31 December 2007 (continued)**

### **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting

### **By Order of the Board**

A handwritten signature in black ink, appearing to read "Jayne Jamieson", written over the printed name.

Jayne Jamieson  
Company Secretary

7/2/08

# **Eriez Magnetics Europe Limited**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERIEZ MAGNETICS EUROPE LIMITED**

We have audited the financial statements of Eriez Magnetics Europe Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Eriez Magnetics Europe Limited

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', written in a cursive style.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cardiff

13/2/08

# Eriez Magnetics Europe Limited

## Profit and loss account for the year ended 31 December 2007

	2007 £'000	2006 £'000
<b>Turnover – Continuing operations</b> (Note 2)	<b>13,543</b>	<b>10,692</b>
Cost of sales – continuing operations	(9,762)	(7,964)
	<hr/>	<hr/>
<b>Gross profit – Continuing operations</b>	<b>3,781</b>	<b>2,728</b>
Distribution costs – Continuing operations	(1,222)	(1,132)
Administrative expenses – Continuing operations	(648)	(778)
Other operating income - Continuing operations	6	6
	<hr/>	<hr/>
<b>Operating profit – Continuing operations</b>	<b>1,917</b>	<b>824</b>
Interest payable and similar charges (Note 3)	(3)	(1)
Interest receivable	25	16
Other finance income (Note 24)	31	14
	<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b> (Note 5)	<b>1,970</b>	<b>853</b>
Tax on profit on ordinary activities (Note 7)	(580)	(267)
	<hr/>	<hr/>
<b>Profit for the financial year</b>	<b>1,390</b>	<b>586</b>
Dividends (Note 8)	-	-
	<hr/>	<hr/>
<b>Retained profit for the year</b> (Note 22)	<b>1,390</b>	<b>586</b>
	<hr/>	<hr/>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

## Statements of total recognised gains and losses for the year ended 31 December 2007

	2007 £'000	2006 £'000
<b>Profit for the financial year</b>	<b>1,390</b>	<b>586</b>
Actuarial gain on pension scheme (note 24)	563	239
Deferred tax (charge) on actuarial loss on pension scheme	(164)	(72)
	<hr/>	<hr/>
<b>Total recognised gains and losses</b>	<b>1,789</b>	<b>753</b>
	<hr/>	<hr/>



# Eriez Magnetics Europe Limited

## Balance sheet as at 31 December 2007

	2007		2006
£'000	£'000	£'000	£'000
<b>Fixed assets</b>			
Intangible assets (Note 9)	-		-
Tangible assets (Note 10)	1,589		1,434
Investments (Note 11)	44		44
	<u>1,633</u>		<u>1,478</u>
<b>Current assets</b>			
Stocks (Note 12)	1,410	1,776	
Debtors (Note 13)	2,182	2,035	
Cash at bank and in hand	1,461	850	
	<u>5,053</u>	<u>4,661</u>	
<b>Creditors – Amounts falling due within one year (Note 14)</b>	<u>(1,500)</u>	<u>(2,087)</u>	
<b>Net current assets</b>	3,553	-	2,574
<b>Total assets less current liabilities</b>	<u>5,186</u>		<u>4,052</u>
<b>Creditors – Amounts falling due in more than one year (Note 15)</b>	(94)		(88)
<b>Provisions for liabilities and charges (Note 20)</b>	(60)		(72)
<b>Net assets excluding pension liability</b>	<u>5,032</u>		<u>3,892</u>
Pension asset/(liability) (Note 24)	428		(221)
<b>Net assets including pension liability</b>	<u>5,460</u>		<u>3,671</u>
<b>Capital and reserves</b>			
Called up share capital (Note 21)	200		200
Profit and loss account (Note 22)	5,260		3,471
<b>Equity shareholders' funds (Note 23)</b>	<u>5,460</u>		<u>3,671</u>

The financial statements on pages 7 to 24 were approved by the board of directors on 7/2/08 and were signed on its behalf by

  
AJ Lewis  
Director

# **Eriez Magnetics Europe Limited**

## **Notes to the accounts for the year ended 31 December 2007 (continued)**

## **Notes to the accounts for the year ended 31 December 2007**

### **1 Accounting policies**

The financial statements contain information about Eriez Magnetics Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium sized group.

#### **Cashflows**

As set out in note 26, the companies parent undertaking, Eriez Manufacturing Limited, prepares consolidated cashflows which include the cashflows of the Company. Consequently the company is exempt under the terms of Financial Reporting Standards No 1 (revised) from publishing a cashflow statement.

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

#### **Turnover**

Turnover is recognised based on the value of goods dispatched during the period excluding value added tax. The company does invoice certain customers in advance and in doing so reflects these invoices as payments on account until the associated goods are dispatched, when the turnover is recognised.

#### **Foreign currency**

Transactions expressed in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Amounts payable and receivable in foreign currencies at the balance sheet date are translated at rates approximating to current rates of exchange at that date. Differences arising from changes in exchange rates are incorporated in the profit on ordinary activities before taxation.

#### **Goodwill**

Goodwill arising on acquisitions is capitalised in the year in which it arises and is eliminated by amortisation through the profit and loss account on a straight line basis over its useful economic life, being not more than 20 years.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition, except for freehold properties that are held at their depreciated re-valued amounts.

Fixed assets are depreciated on a straight line basis at rates calculated to write off the cost of the assets over their expected useful lives. The annual rates used are between 10% and 33% for plant and machinery and 4% for buildings. Freehold land is not depreciated. Leased assets are written off over the shorter of the lease term and their expected useful lives.

# **Eriez Magnetics Europe Limited**

## **Notes to the accounts for the year ended 31 December 2007 (continued)**

### **Fixed asset investments**

Fixed asset investments are stated in the balance sheet at cost less provision for any permanent diminution in value

### **Stocks**

Stocks are stated at the lower of cost, including appropriate production overheads for work-in-progress and finished goods, and net realisable value

### **Government grants**

Government grants which are of a capital nature are credited to deferred income when received. They are released to the profit and loss account over the useful lives of the assets to which they relate

### **Leased assets**

Assets held under finance leases are capitalised at inception at their original cost and a lease obligation recognised for that capitalised amount. The rental payments during the lease period are apportioned between capital repayment and finance cost by the "rule of 78" method. The finance cost is charged to the profit and loss account in the year incurred.

For operating leases the rental charges are taken to profit and loss account on a straight line basis over the life of the lease.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 1 Accounting policies (continued)

#### Pensions

The company operates three pension schemes

For the defined contribution and the stakeholder schemes, contributions are charged to the profit and loss account as they become payable

For the defined benefit scheme, assets are measured using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the defined benefit scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time are included in interest payable and similar charges.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses

### 2 Segmental information

The company's activity represents substantially one class of business from the UK. Turnover has been analysed by geographical area below representing the markets sold to during the year

	2007 £'000	2006 £'000
United Kingdom	5,638	5,201
EC and other European countries	5,545	4,322
Asia	790	642
Other	1,570	527
	<hr/> 13,543 <hr/>	<hr/> 10,692 <hr/>

### 3 Interest payable and similar charges

	2007 £'000	2006 £'000
Interest on finance leases	3	1
	<hr/> 3 <hr/>	<hr/> 1 <hr/>

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 4 Employees

	2007 £'000	2006 £'000
Wages and salaries	3,079	2,865
Social security costs	281	290
Other pension costs (note 24)	277	242
	<u>3,637</u>	<u>3,397</u>

The average weekly number of persons (including executive directors) employed by the company during the year was

	2007 Number	2006 Number
<b>By activity</b>		
Production	53	52
Office and management	45	45
Marketing	1	1
	<u>99</u>	<u>98</u>

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting) the following

	2007 £'000	2006 £'000
Depreciation on fixed assets - owned assets	198	179
- leased assets	7	5
(Profit) / Loss on disposal of fixed assets	(1)	1
Auditors' remuneration - audit services	27	25
Royalties payable to parent undertaking	164	139
(Gain)/Loss on foreign currency transactions (net)	(111)	15
Operating lease expense - hire of motor vehicles	54	59
Amortisation of government grants	(6)	(6)
	<u></u>	<u></u>

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 6 Directors' emoluments

	2007 £'000	2006 £'000
Management Services	451	334

Retirement benefits are accruing under defined benefit schemes for four directors. Company contributions paid to a defined contribution pension in respect of the directors during the year totalled £38,156 (2006 £30,029)

5,000 share options in the parent company, Eriez Manufacturing Company have been awarded to one of the directors. These options vest over a 10 year period.

Emoluments payable to the highest paid director are as follows

	2007 £'000	2006 £'000
Aggregate emoluments	149	135

Pension benefits accruing to the highest paid director at the year end were

	2007 £'000	2006 £'000
Accrued pension	48	44

Company contributions paid to a defined contribution pension in respect of the highest paid director during the year totalled £13,521 (2006 £12,229). No share options have accrued to the highest paid director

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 7 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
Based on the results for the year		
United Kingdom corporation tax at 30% (2006 30%)	495	211
Prior year adjustments (30%)	-	-
	<u>495</u>	<u>211</u>
<b>Deferred tax:</b>		
Origination and reversal of timing difference	3	(2)
Pension cost relief in excess of pension cost charge	97	58
Effect of reversal of liability on industrial buildings	(11)	
Effect of decreased tax rate on opening asset	(4)	
	<u>85</u>	<u>56</u>
Total tax on profit on ordinary activities	<u>580</u>	<u>267</u>

The tax assessed for the year is lower than the corporation tax rate applying in the UK (30%) The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities at the UK tax rate	591	256
30% (2006 30%)		
Effects of		
Expenses not deductible for tax purposes	11	13
Accelerated capital allowances & other timing differences	(3)	2
Pension contribution relief in excess of pension cost charge	(104)	(58)
Adjustments to tax charge in respect of previous period	-	-
	<u>495</u>	<u>211</u>
Current tax charge for the year	<u>495</u>	<u>211</u>

### 8 Dividends

	2007 £'000	2006 £'000
Interim equity dividend paid - £nil (2006 £nil) per share	-	-
	<u>-</u>	<u>-</u>

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 9 Intangible fixed assets

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January and 31 December 2007	13
<b>Amortisation</b>	
At 1 January and 31 December 2007	13
<b>Net book value</b>	
At 31 December 2007 and 31 December 2006	-

### 10 Tangible fixed assets

	<b>Freehold land and buildings £'000</b>	<b>Leased assets £'000</b>	<b>Plant and Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2007	1,195	23	2,018	3,236
Additions	79	20	269	368
Disposals	-	(15)	(32)	(47)
<b>At 31 December 2007</b>	<b>1,274</b>	<b>28</b>	<b>2,255</b>	<b>3,557</b>
<b>Accumulated depreciation</b>				
At 1 January 2007	404	16	1,382	1,802
Charge for the year	40	7	159	206
Released on disposals	-	(15)	(25)	(40)
<b>At 31 December 2007</b>	<b>444</b>	<b>8</b>	<b>1,516</b>	<b>1,968</b>
<b>Net book value</b>				
At 31 December 2007	830	20	739	1,589
At 31 December 2006	791	7	636	1,434



# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 11 Fixed asset investments

	Shares in group undertakings £'000
<b>Cost</b>	
At 1 January and 31 December 2007	232
<b>Provision</b>	
At 1 January and 31 December 2007	188
<b>Net book value</b>	
At 31 December 2007 and 31 December 2006	44

The subsidiaries of the company as at 31 December 2007 were as follows

Name	Country of incorporation	Class of shares	% holding	Nature of Business
Pulse Technology Limited	England and Wales	Ordinary	100%	Dormant
Prisecter Services Limited	England and Wales	Ordinary	100%	Dormant
Prisecter India AVT Limited	India	Ordinary	51%	Dormant
Boxmag Rapid Limited	England and Wales	Ordinary	100%	Dormant

The directors have taken advantage of the exemption from the requirement to prepare group accounts under Section 248 (1) of the Companies Act 1985

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	2007		2006	
	Capital and reserves	Profit after taxation for the year	Capital and reserves	Profit after taxation for the year
	£'000	£'000	£'000	£'000
Pulse Technology Limited	44	-	44	-
Prisecter Services Limited	-	-	-	-
Prisecter India AVT Limited	-	-	-	-
Boxmag Rapid Limited	-	-	-	-

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 12 Stocks

	2007 £'000	2006 £'000
Raw materials and consumables	508	393
Work in progress	733	1,189
Finished goods	169	194
	<u>1,410</u>	<u>1,776</u>

The replacement cost of stocks is not significantly different from that shown above

### 13 Debtors

	2007 £'000	2006 £'000
Trade debtors	2,044	1,769
Amounts owed by group companies	50	90
Prepayments and accrued income	88	176
	<u>2,182</u>	<u>2,035</u>

Included within prepayments is a balance of £10,216 (2006 £7,507) relating to payments made to a defined contribution pension scheme

### 14 Creditors - Amounts falling due within one year

	2007 £'000	2006 £'000
Payments on account	360	1,108
Trade creditors	218	364
Amounts owed to parent undertaking	44	9
Amounts due to subsidiary undertakings	44	44
Corporation Tax	320	92
Other taxation and social security	72	66
Accruals and deferred income	437	400
Obligations under finance leases (Note 16)	5	4
	<u>1,500</u>	<u>2,087</u>

The company's bankers hold a mortgage charge over the freehold property of the company, a fixed charge over the book debts and a floating charge over all other assets in respect of various facilities and guarantees that are made available to the company

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 15 Creditors - Amounts falling due after more than one year

	2007 £'000	2006 £'000
Deferred income (see below)	79	85
Obligations under finance leases (Note 16)	15	3
	<u>94</u>	<u>88</u>

Deferred income represents the portion of government grants not released to profit and loss account

### 16 Finance leases

The minimum lease payments to which the company is committed under finance leases mature as follows

	2007 £'000	2006 £'000
Within one year	7	5
Within two and five years inclusive	18	3
Gross obligations	<u>25</u>	<u>8</u>
Less		
Finance charges allocated to future periods	(5)	(1)
	<u>20</u>	<u>7</u>
Falling due within one year (Note 14)	5	4
Falling due after one year (Note 15)	15	3
	<u>20</u>	<u>7</u>

### 17 Capital and other commitments

	2007 £'000	2006 £'000
Contracts placed for future capital expenditure not provided in the financial statements	-	116

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 18 Operating leases

The company's annual commitments under non-cancellable operating leases are as follows

	<b>Hire of motor vehicles</b>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Leases expiring		
Within one year	12	3
Between one and five years	54	51
	<u>66</u>	<u>54</u>

### 19 Contingent liabilities

The company have issued a number of performance guarantees to customers which may be called upon if goods sold do not meet set performance criteria. The total value of outstanding guarantees at year end was £506,785 (2006 £196,850)

### 20 Provisions for liabilities and charges

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Provision for onerous lease	14	14
Deferred tax excluding deferred taxation on pension liability	46	58
	<u>60</u>	<u>72</u>

The movement in the provisions is analysed as follows

	<b>Onerous Lease £'000</b>	<b>Deferred Tax provision excluding deferred taxation on pension liability £'000</b>
At 1 January 2007	14	58
Amounts credited to profit and loss account	-	(12)
<b>At 31 December 2007</b>	<u><b>14</b></u>	<u><b>46</b></u>

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 20 Provisions for liabilities and charges (continued)

The deferred tax provision comprises the following elements

	2007 £'000	2006 £'000
Accelerated capital allowances	48	61
Other timing differences	(2)	(3)
Deferred tax excluding that relating to pension liability	46	58
Pension liability (Note 24)	167	(94)
<b>Total provision for deferred tax</b>	<b>213</b>	<b>(36)</b>
At 1 January 2007	(36)	
Deferred tax charge in profit and loss account (Note 7)	85	
Deferred tax charged to the statement of total recognised gains and losses	164	
<b>At 31 December 2007</b>	<b>213</b>	

### 21 Called up share capital

	2007 £'000	2006 £'000
<b>Authorised:</b>		
200,000 Ordinary shares of £1 each	200	200
<b>Issued, allotted and fully paid:</b>		
200,000 Ordinary shares of £1 each	200	200

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 22 Reserves

	<b>Profit and loss account £'000</b>
At 1 January 2007	3,471
Profit for the financial year	1,390
Actuarial gain on pension scheme	563
Deferred tax liability on actuarial gain on pension scheme	(164)
<b>At 31 December 2007</b>	<b><u>5,260</u></b>

### 23 Reconciliation of movement in shareholders' funds

	<b>2007 £'000</b>	<b>2006 £'000</b>
Profit for the year	1,390	586
Dividends	-	-
	<u>1,390</u>	<u>586</u>
Actuarial gain on pension scheme	563	239
Deferred tax on actuarial gain on pension scheme	(164)	(72)
<b>Net addition to shareholders' funds</b>	<u>1,789</u>	<u>753</u>
Opening shareholders' funds		
<b>Closing shareholders' funds</b>	<u><u>5,460</u></u>	<u><u>3,671</u></u>

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

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### Pension commitments

#### Defined contribution scheme

The company operates a defined contribution scheme which is non-contributory by members. Pension costs to the company for this scheme amounted to £38,156 (2006 £30,029).

#### Stakeholder scheme

The company also operates a defined contribution stakeholder scheme. Pension costs to the company for this scheme amounted to £5,731 (2006 £4,315).

#### Defined benefit scheme

During the period the Company participated in the Eriez Magnetics UK Limited 1987 Pension Scheme which is a defined benefit scheme. Contributions were made to the Scheme in accordance with the Schedule of Contributions and totalled £549,200 (2006 £376,847) including special premiums of £214,200 (2006 £ nil). Future employer contribution rates have been set at 19.0%. The most recent formal actuarial valuation of the Scheme was carried out at 1 January 2005 and was updated to 31 December 2007.

Financial assumptions	2007	2006	2005	2004
Salary increases	3.5%	3.25%	3.25%	3.0%
Pension increases (on pensions now being accrued)	3.5%	3.00%	2.75%	2.5%
Discount rate	5.6%	5.10%	4.8%	5.5%
RPI	3.5%	3.00%	2.75%	2.5%
Expected return on assets	6.0%	6.00%	6.0%	6.5%

The assets in the scheme were

	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Total market value of assets	5,323	4,231	3,659	3,072
Present value of scheme liabilities	(4,728)	(4,546)	(4,407)	(3,132)
Surplus / (Deficit) in the scheme	595	(315)	(748)	(60)
Related deferred tax asset / (liability)	(167)	94	224	18
Net pension asset/(liability)	428	(221)	(524)	(42)

Note: The main investment of the scheme is a "Unitised With Profits" fund. On 1 January 2003, the trustees of the Scheme transferred from a with profits insurance policy. As a result of effecting this transfer, the scheme benefited from an immediate 10% increase in the value of the funds' assets.

# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 24 Pension commitments (continued)

#### Analysis of the amount charged to operating profit

	2007 £'000	2006 £'000
Current service cost	233	208

#### Analysis of the amount credited to other finance income

	2007 £'000	2006 £'000
Expected return on pension scheme assets	269	225
Interest on pension scheme liabilities	(238)	(211)
Net return	31	14

#### Analysis of amount recognised in statement of total recognised gains and losses ("STRGL")

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	318	159
Experience gains and losses arising on the scheme's liabilities	(17)	54
Changes in assumptions underlying present value of liabilities	262	26
Actuarial gain/(loss) recognised in STRGL	563	239

#### Movement in deficit during the year

	2007 £'000	2006 £'000
(Deficit)/surplus in scheme at beginning of the year	(315)	(748)
Movement in year		
Current service cost	(233)	(208)
Contributions	549	388
Other finance income	31	14
Actuarial gain/(loss) in STRGL	563	239
Surplus / (Deficit) in scheme at end of the year	595	(315)



# Eriez Magnetics Europe Limited

## Notes to the accounts for the year ended 31 December 2007 (continued)

### 24 Pension commitments (continued)

#### History of experience gains and losses

	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets				
Amount (£'000)	318	159	(10)	(48)
Percentage of scheme assets	6%	4%	(0%)	(2%)
Experience gains and losses on scheme liabilities				
Amount (£'000)	(17)	54	89	(39)
Percentage of the present value of the scheme liabilities	(0%)	1%	2%	(1%)
Total amount recognised in STRGL				
Amount (£'000)	563	239	(797)	(290)
Percentage of the present value of the scheme liabilities	12%	5%	(18%)	(9%)

### 25 Related party transactions

In accordance with the exemptions afforded by Financial Reporting Standard No 8 there is no requirement to disclose transactions with other 90% or more owned entities of the Eriez Manufacturing Group

### 26 Immediate and ultimate controlling parties

The company's immediate parent undertaking is Eriez Manufacturing Company which is incorporated in the United States of America. The consolidated accounts of this group can be obtained from Eriez Manufacturing Limited, 2200 Asbury Road, Erie, Pennsylvania 16506, USA. Ultimate control rests with Mr Richard Merwin.