

(Registered Number 1397255)

Eriez Magnetics Europe Limited Directors' Report and Accounts

31 December 2009

Amended

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Eriez Magnetics Europe Limited

Directors' report for the year ended 31 December 2009

The directors submit their report and the audited accounts of the company for the year ended 31 December 2009

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 2009 (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 £1,150,000 (2008 £2,539,000). The directors paid an interim dividend during the year of £5 per share (2008 £nil). The final proposed dividend is £nil (2008 £nil) in respect of the year and the profit of £1,150,000 (2008 £2,539,000) 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	
	2009	2008	2009	2008
	Number	Number	Number	Number
A J Lewis	250	250	1	1
Mrs J Jamieson	-	-	1	1
P Fears	-	-	-	-
J Curwen	-	-	-	-
	<u>250</u>	<u>250</u>	<u>1</u>	<u>1</u>

Share options

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

	At 1 January 2009	Granted in year	Waived in year	At 31 December 2009
	Number	Number	Number	Number
A J Lewis	-	-	-	-
Mrs J Jamieson	-	-	-	-
P Fears	5,000	-	-	5,000
J Curwen	-	-	-	-
	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>

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 2009 (continued)

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

Year of grant	Exercise price	Exercise dates	Number
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 £4,885 (2008 £5,145) to various UK based organisations

Payment of creditors

The company's standard settlement terms are 60 days from delivery Actual payments are made 60 days from the end of the month following delivery At 31 December 2009 the company's creditor days compared to the value of suppliers' invoices received in the year was 15 days (2008 14 days)

Statement of directors' responsibilities

The directors are responsible for preparing 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) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They 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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Eriez Magnetics Europe Limited

Directors' Report for the year ended 31 December 2009 (continued)

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that

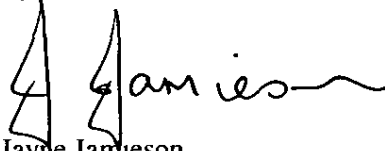
(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken 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

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', with a stylized flourish at the end.

Jayne Jamieson
Company Secretary
11 February 2010

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 for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Eriez Magnetics Europe Limited

Matters on which we are required to report by exception

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

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



Jason Clarke (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
11 February 2010

Eriez Magnetics Europe Limited

Profit and loss account for the year ended 31 December 2009

	2009 £'000	2008 £'000
Turnover – Continuing operations (Note 2)	12,519	16,822
Cost of sales – continuing operations	(8,901)	(11,382)
Gross profit – Continuing operations	3,618	5,440
Distribution costs – Continuing operations	(1,181)	(1,402)
Administrative expenses – Continuing operations	(812)	(623)
Other operating income - Continuing operations	6	6
Operating profit – Continuing operations (Note 5)	1,631	3,421
Interest payable and similar charges (Note 3)	(2)	(3)
Interest receivable	15	68
Other finance (expenses) / income (Note 23)	(27)	80
Profit on ordinary activities before taxation	1,617	3,566
Tax on profit on ordinary activities (Note 7)	(467)	(1,027)
Profit for the financial year	1,150	2,539
Dividends (Note 20)	(1,000)	-
Retained profit for the financial year	150	2,539

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 2009

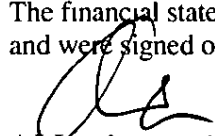
	2009 £'000	2008 £'000
Profit for the financial year	150	2,539
Actuarial (loss) / gain on pension scheme (note 23)	(912)	(1,805)
Deferred tax credit on actuarial loss on pension scheme	-	505
Current tax credit on actuarial loss on pension scheme	255	-
Total recognised gains and losses	(507)	1,239

Eriez Magnetics Europe Limited

Balance sheet as at 31 December 2009

	2009 £'000	2008 £'000
Fixed assets		
Intangible assets (Note 8)	-	-
Tangible assets (Note 9)	1,367	1,571
Investments (Note 10)	44	44
	<u>1,411</u>	<u>1,615</u>
Current assets		
Stocks (Note 11)	2,260	3,097
Debtors (Note 12)	1,935	2,774
Cash at bank and in hand	1,883	2,069
	<u>6,078</u>	<u>7,940</u>
Creditors – Amounts falling due within one year (Note 13)	<u>(1,462)</u>	<u>(2,508)</u>
Net current assets	<u>4,616</u>	<u>5,432</u>
Total assets less current liabilities	<u>6,027</u>	<u>7,047</u>
Creditors – Amounts falling due in more than one year (Note 14)	(74)	(86)
Provisions for liabilities and charges (Note 19)	(32)	(47)
Net assets excluding pension asset/liability	<u>5,921</u>	<u>6,914</u>
Pension asset/(liability) (Note 24)	271	(215)
Net assets including pension liability	<u>6,192</u>	<u>6,699</u>
Capital and reserves		
Called up share capital (Note 21)	200	200
Profit and loss account (Note 22)	5,992	6,499
Equity shareholders' funds (Note 23)	<u>6,192</u>	<u>6,699</u>

The financial statements on pages 7 to 25 were approved by the board of directors on and were signed on its behalf by


A.J. Lewis 11 February 2010
Director

Eriez Magnetics Europe Limited

Registered Number: 1397255

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009

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 402 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as all subsidiary entities are dormant.

Cashflows

As set out in note 26, the company's parent undertaking, Eriez Manufacturing Company, 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 2009 (continued)

1 Accounting policies (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 2009 (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.

	2009 £'000	2008 £'000
United Kingdom	3,520	4,871
EC and other European countries	7,374	9,164
Asia	385	1,223
Other	1,240	1,564
	<u>12,519</u>	<u>16,822</u>

3 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest on finance leases	2	2
Other interest	-	1
	<u>2</u>	<u>3</u>

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

4 Employees

	2009 £'000	2008 £'000
Wages and salaries	3,055	3,528
Social security costs	284	308
Other pension costs (note 24)	301	287
	<u>3,640</u>	<u>4,123</u>

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

	2009 Number	2008 Number
By activity		
Production	56	56
Office and management	45	48
Marketing	1	1
	<u>102</u>	<u>105</u>

5 Operating profit

Operating profit is stated after charging / (crediting) the following

	2009 £'000	2008 £'000
Depreciation on fixed assets - owned assets	211	217
- leased assets	5	5
(Profit) / Loss on disposal of fixed assets	-	-
Auditors' remuneration - audit services	30	27
- non audit services	7	7
Royalties payable to parent undertaking	223	188
(Gain)/Loss on foreign currency transactions (net)	41	(187)
Operating lease expense - hire of motor vehicles	58	54
Amortisation of government grants	(6)	(6)
	<u></u>	<u></u>

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

6 Directors' emoluments

	2009 £'000	2008 £'000
Management Services	502	488

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 £48,815 (2008 £47,689).

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

	2009 £'000	2008 £'000
Aggregate emoluments	160	158

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

	2009 £'000	2008 £'000
Accrued pension	54	51

Company contributions paid to a defined contribution pension in respect of the highest paid director during the year totalled £15,806 (2008 £15,140). No share options have accrued to the highest paid director.

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

7 Tax on profit on ordinary activities

	2009 £'000	2008 £'000
Based on the results for the year		
United Kingdom corporation tax at 27.82% (2008: 28.5%)	294	771
	<u>294</u>	<u>771</u>
Deferred tax:		
Origination and reversal of timing difference	173	256
Pension cost relief in excess of pension cost charge	-	-
Effect of reversal of liability on industrial buildings	-	-
Effect of decreased tax rate on opening asset	-	-
	<u>173</u>	<u>256</u>
Total tax on profit on ordinary activities	<u>467</u>	<u>1,027</u>

The tax assessed for the year is lower than the corporation tax rate applying in the UK (28%) (2008: 28.5%). The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities at the UK tax rate 28% (2008: 28.5%)	453	1,016
Effects of:		
Expenses not deductible for tax purposes	14	15
Accelerated capital allowances & other timing differences	15	-
Pension contribution relief in excess of pension cost charge	(188)	(260)
	<u>294</u>	<u>771</u>
Current tax charge for the year	<u>294</u>	<u>771</u>

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

8 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January and 31 December 2009	13
Amortisation	
At 1 January and 31 December 2009	13
Net book value	
At 31 December 2009 and 31 December 2008	-

9 Tangible fixed assets

	Freehold land and buildings £'000	Leased assets £'000	Plant and Equipment £'000	Total £'000
Cost				
At 1 January 2009	1,315	26	2,404	3,745
Additions	-	-	12	12
Disposals	-	-	-	-
At 31 December 2009	1,315	26	2,416	3,757
Accumulated depreciation				
At 1 January 2009	483	8	1,683	2,174
Charge for the year	44	5	167	216
Released on disposals	-	-	-	-
At 31 December 2009	527	13	1,850	2,390
Net book value				
At 31 December 2009	788	13	566	1,367
At 31 December 2008	832	18	721	1,571

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

10 Fixed asset investments

	Shares in group undertakings £'000
Cost	
At 1 January and 31 December 2009	232
Provision	
At 1 January and 31 December 2009	188
Net book value	
At 31 December 2009 and 31 December 2008	44

The subsidiaries of the company as at 31 December 2009 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 402 of the Companies Act 2006

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

	2009		2008	
	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 2009 (continued)

11 Stocks

	2009 £'000	2008 £'000
Raw materials and consumables	868	1,286
Work in progress	1,097	1,379
Finished goods	295	432
	<hr/>	<hr/>
	2,260	3,097
	<hr/>	<hr/>

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

12 Debtors

	2009 £'000	2008 £'000
Trade debtors	1,320	1,959
Amounts owed by group companies	360	346
Prepayments and accrued income	114	469
Corporation tax receivable	141	-
	<hr/>	<hr/>
	1,935	2,774
	<hr/>	<hr/>

Included within prepayments is a balance of £9,420 (2008 £9,223) relating to payments made to a defined contribution pension scheme

13 Creditors - Amounts falling due within one year

	2009 £'000	2008 £'000
Payments on account	330	1,139
Trade creditors	487	405
Amounts owed to parent undertaking	51	40
Amounts due to subsidiary undertakings	44	44
Corporation Tax	-	344
Other taxation and social security	159	159
Accruals and deferred income	385	372
Obligations under finance leases (Note 15)	6	5
	<hr/>	<hr/>
	1,462	2,508
	<hr/>	<hr/>

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 2009 (continued)

14 Creditors - Amounts falling due after more than one year

	2009 £'000	2008 £'000
Deferred income (see below)	67	73
Obligations under finance leases (Note 15)	7	13
	<u>74</u>	<u>86</u>

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

15 Finance leases

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

	2009 £'000	2008 £'000
Within one year	7	7
Within two and five years inclusive	8	15
Gross obligations	<u>15</u>	<u>22</u>
Less		
Finance charges allocated to future periods	(2)	(4)
	<u>13</u>	<u>18</u>
Falling due within one year (Note 13)	6	5
Falling due after one year (Note 14)	7	13
	<u>13</u>	<u>18</u>

16 Capital and other commitments

	2009 £'000	2008 £'000
Contracts placed for future capital expenditure not provided in the financial statements	-	83

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

17 Operating leases

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

	Hire of motor vehicles	
	2009	2008
	£'000	£'000
Leases expiring		
Within one year	4	17
Between one and five years	114	79
	<u>118</u>	<u>96</u>

18 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 £1,248,599 (2008 £1,658,217)

19 Provisions for liabilities and charges

	2009	2008
	£'000	£'000
Deferred tax excluding deferred taxation on pension liability	32	47
	<u>32</u>	<u>47</u>

The movement in the provisions is analysed as follows

	Deferred Tax provision excluding deferred taxation on pension liability £'000
At 1 January 2009	47
Amounts (credited)/charged to profit and loss account	(15)
At 31 December 2009	<u>32</u>

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

19 Provisions for liabilities and charges (continued)

The deferred tax provision/(asset)/ comprises the following elements

	2009 £'000	2008 £'000
Accelerated capital allowances	33	48
Other timing differences	(1)	(1)
Deferred tax excluding that relating to pension liability	32	47
Pension liability/(asset) (Note 24)	105	(83)
Total provision/(asset) for deferred tax	137	(36)
At 1 January	(36)	213
Deferred tax charge in profit and loss account (Note 7)	173	256
Deferred tax (credited)/charged to the statement of total recognised gains and losses	-	(505)
At 31 December	137	(36)

20 Dividends

An interim dividend of £5 per share totalling £1,000,000 was paid during the year (2008 nil)
The directors do not propose a final dividend (2008 nil)

21 Called up share capital

	2009 £'000	2008 £'000
Authorised:		
200,000 Ordinary shares of £1 each	200	200
Issued, allotted and fully paid:		
200,000 Ordinary shares of £1 each	200	200

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

22 Reserves

Profit and loss account £'000

At 1 January 2009	6,499
Profit for the financial year	150
Actuarial loss on pension scheme	(912)
Current tax relief on actuarial loss on pension scheme	255
At 31 December 2009	5,992

23 Reconciliation of movement in shareholders' funds

	2009 £'000	2008 £'000
Profit for the year	1,150	2,539
Dividends	(1,000)	-
	<u>150</u>	<u>2,539</u>
Actuarial (loss) / gain on pension scheme	(912)	(1,805)
Deferred tax on actuarial (loss) / gain pension scheme	-	505
Current tax credit on actuarial (loss) / gain	255	-
	<u></u>	<u></u>
Net addition to shareholders' funds	(507)	1,239
Opening shareholders' funds	6,699	5,460
	<u></u>	<u></u>
Closing shareholders' funds	6,192	6,699

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

24 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 £48,815 (2008: £47,689).

Stakeholder scheme

The company also operates a defined contribution stakeholder scheme. Pension costs to the company for this scheme amounted to £14,009 (2008: £5,662).

Defined benefit scheme

The company operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. On 1 January 2004, the defined benefit pension scheme was closed to new entrants. At the same time, the company established a defined contribution scheme to provide benefits to new employees.

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 £1,850,542 (2008: £1,065,860) including special premiums of £1,275,000 (2008: £735,200). Future employer contribution rates have been set at 19.2%, plus an additional sum of £19,600 per month deficit reduction contributions. The most recent formal actuarial valuation of the Scheme was carried out at 1 January 2008 and was updated to 31 December 2009.

An actuarial valuation of the Eriez Magnetics (UK) Ltd 1987 Pension Scheme using the projected unit basis, was carried out at 31 December 2009. The major assumptions used by the actuary were:

	2009 %	2008 %
Rate of increase in salaries	4.00%	4.00%
Rate of increase in pensions in payment	3.40%	3.30%
Discount rate	5.70%	6.40%
Rate of inflation	3.40%	3.20%

The scheme assets are held within Norwich Union with profits funds and are expected to generate a long term rate of return of 5.75% (2008: 5.75%).

The mortality assumptions in the actuarial valuation at 31 December 2009 are based on tables PXA92, calendar year 2020, with an offset of -4 years (2008: PXA92, calendar year 2020, with an offset of -4 years).

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

24 Pension commitments (continued)

The assets in the scheme were

	Value at 31 December 2009 £000	Value at 31 December 2008 £000
Market value of assets	7,274	5,269
Present value of scheme liabilities	6,898	5,567
(Deficit)/Surplus in Scheme	376	(298)
Related deferred tax asset/(liability)	(105)	83
Net pension surplus / (deficit)	271	(215)

Reconciliation of present value of scheme liabilities:

	2009 £'000	2008 £'000
1 January	5,567	4,728
Current service cost	238	233
Past service cost	-	-
Interest cost	363	273
Scheme participants contributions	107	107
Benefits paid	(151)	(55)
Actuarial loss / (gain)	774	281
31 December	6,898	5,567

Reconciliation of fair value of scheme assets

	2009	2008
1 January	5,269	5,323
Expected return on scheme assets	336	353
Actuarial (loss) / gain	(138)	(1,525)
Benefits and expenses paid	(151)	(55)
Contributions paid by employer	1,851	1,066
Scheme participants' contributions	107	107
31 December	7,274	5,269

Scheme assets do not include any of Eriez Magnetics Europe Limited's own financial instruments, or any property occupied by Eriez Magnetics Europe Limited

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy

The actual return on scheme assets in the year was a gain of £198,000 (2008 loss of £1,172,000)

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

24 Pension commitments (continued)

Analysis of the amount charged to profit or loss are as follows:

	2009 £'000	2008 £'000
Current service cost	238	233
Expected return on pension scheme assets	(336)	(353)
Interest on pension scheme liabilities	363	273
Total	265	153

Of the total current service cost, £167,000 (2008 £164,000) is included within cost of sales, and £71,000 (2008 £69,000) is included within distribution and administrative expenses

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £3,002,000 (2008 £2,090,000)

Actuarial valuation

The full actuarial valuation at 31 December 2008 showed a change from a surplus of £595,000 to a deficit of £297,000. The Eriez Magnetics UK Limited 1987 Pension Scheme Annual Report as at 1 January 2009 showed an increase in the deficit to £1,275,000. It was agreed with the trustees that a one off payment of £1,275,000 would be made to eliminate this. A payment of £1,275,000 was made in September 2009. The total contributions expected to be made to the scheme by Eriez Magnetics Europe Ltd in the year to 31 December 2010 is £546,000.

Amounts for current and previous four years:

	2009	2008	2007	2006	2005
Defined benefit obligation	6,897	5,567	4,728	4,546	4,407
Plan assets	7,274	5,269	5,323	4,231	3,659
(Deficit)/Surplus	377	(298)	595	(315)	(748)
Experience adjustments on plan assets					
Amount (£'000)	(138)	(1,525)	318	159	(10)
Experience adjustments on plan liabilities:					
Amount (£'000)	-	(280)	245	80	(787)
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	(912)	(1,805)	563	239	(797)

Eriez Magnetics Europe Limited

Notes to the accounts for the year ended 31 December 2009 (continued)

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 Company, 2200 Asbury Road, Erie, Pennsylvania 16506, USA. Ultimate control rests with Mr Richard Merwin.