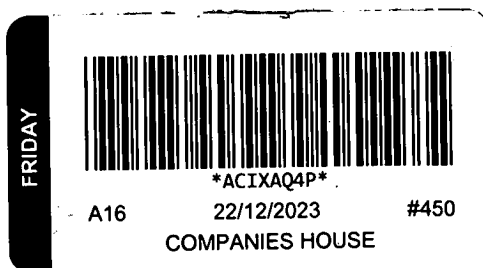


ERIEZ MAGNETICS EUROPE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



ERIEZ MAGNETICS EUROPE LIMITED

COMPANY INFORMATION

Directors	K Owen (appointed 2 August 2022) J L Curwen (resigned 16 December 2022) G Meese M A Cooper (resigned 31 March 2022) J N Kohmuench
Company secretary	K Owen
Registered number	01397255
Registered office	Bedwas House Industrial Estate Bedwas Caerphilly CF83 8YG
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 3 Callaghan Square Cardiff CF10 5BT

ERIEZ MAGNETICS EUROPE LIMITED

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ERIEZ MAGNETICS EUROPE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Business Review

The directors are pleased to present the financial statements for the year ending 31 December 2022, which was a challenging year for the company. Whilst turnover increased, to £20.8m (2021: £17.0m) from the previous year, an operating loss of £795k (2021: £210k profit) was made for the year.

2022 was a challenging year as we continued to manage the increase in raw material costs and logistics as a result of the Covid pandemic which put pressure on margins. The company continued to mitigate against these risks and uncertainties with cost-cutting measures remaining in place with capital expenditure being limited.

One of the key strengths of the company is the diversity of the customer and product portfolio – multiple different industrial segments to spread the risk over a much wider sector of the market and we continued to see this throughout 2022.

The company has several strategic initiatives to develop new markets working with internal and external stakeholders to promote new products and achieve profitable growth.

ERIEZ MAGNETICS EUROPE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Principal risks and uncertainties

The company's principal strategic risks relate to issues which might prevent the Board from achieving its long term goals of creating sustainable revenue growth. The key risks which management face are as follows:

Raw material price fluctuation

As per 2021, a large proportion of the company's raw material purchases are subject to volatility in the commodities markets. Steel, copper and rare earth magnet material can all be affected by highly variable pricing. Market volatility is monitored closely and any increases in material costs are reflected in selling prices.

Fluctuation in currency exchange rates

A significant proportion of the company's turnover relates to export sales, the majority of which are performed in Euros. A smaller proportion of contracts are in US dollars. Risk is partly mitigated by purchasing materials and services in these two currencies.

Health and Safety risks

The company manufactures separation equipment using exceedingly strong magnet material, which gives rise to many risks to both employees and customers. Robust internal procedures and communication with customers ensure these risks are minimised.

Financial and business control

Financial controls are essential to the control and management of the business. The company has an experienced financial team, with clearly laid out policies and procedures, which are regularly reviewed by the Board to ensure they remain both effective and appropriate to the business.

Brexit risk

Whilst the impact of Brexit has been managed and has not been significant to date, the main risk is potential delays in ports due to the volume of trading by the company outside of the UK. This is still of potential concern and is being managed through strong visibility into the supply chain and effective communication with customers.

Pandemic risk

There is still some impact on business operations due to the Covid-19 pandemic albeit these have been managed with operations and sales continuing. As we move through 2023, we anticipate that these risks will become less as business returns to pre-pandemic levels.

Other Macro-Economic factors

We continue to operate in a high inflationary environment as the world economy witnesses the unprecedented impact of the Russian/Ukrainian war and subsequent high-interest rates. Typically, a sizeable proportion of our business was directly or indirectly with Russia - due to sanctions imposed with trading with Russia, the business is now looking at developing other geographical territories to make up for the loss of business from these territories.

ERIEZ MAGNETICS EUROPE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Financial key performance indicators

The directors deem turnover and operating profit as the key performance indicators within the business. The turnover for the year was £20,842,000 (2021: £17,020,000). The company made an operating loss of £(795,000), (2021: profit £210,000). The driver behind the increased turnover and subsequent operating loss is because of pressure on margins caused by raw material price increases and several other restructuring costs to the business.

Other key performance indicators

The directors deem that the number of customer concerns raised is a non-financial key performance indicator as well as the number of hours of training completed by staff. Both of these non-financial key performance indicators are monitored closely regularly and the directors are satisfied that these remain satisfactory levels to aid the development of staff and ensure our customers receive the best service possible.

This report was approved by the board on 12 December 2023 and signed on its behalf.

Gareth Meese

G Meese
Director

ERIEZ MAGNETICS EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The loss for the year, after taxation, amounted to £695,000 (2021: profit £99,000).

The directors issued a dividend during the year of £Nil (2021: £Nil).

Directors

The directors who served during the year were:

K Owen (appointed 2 August 2022)
J L Curwen (resigned 16 December 2022)
G Meese
M A Cooper (resigned 31 March 2022)
J N Kohmuench

Directors' responsibilities statement

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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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;
- 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Future developments

The company is currently undergoing several restructuring initiatives to ensure it has a solid foundation for future growth and to support additional sales. In addition to these, process and operational efficiencies are being reviewed and implemented to ensure that the company has a solid foundation moving forward.

ERIEZ MAGNETICS EUROPE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Financial risk management objectives and policies:

The company uses financial instruments, other than derivatives, comprising cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the company financial instruments are credit risk, liquidity risk and currency risk.

The directors review and agree policies for managing each of these risks and they are summarised below.

Credit Risk

Credit risk relates primarily to debtor balances. The accounts presented in the Balance sheet are net of allowances for doubtful debts. An allowance is made if there is a perceived risk in the ability to recover the outstanding amount factoring in credit insurance introduced during this financial year to further mitigate risk. Based on previous experience and the wide-ranging customer base this is not considered a significant risk.

Liquidity Risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Currency Risk

The company's activities expose it to some risk as a result of changes in foreign exchange rates. At the current time, this risk is not considered significant as purchase and sales contracts form a natural hedge. The position is monitored and should the situation change, then the company will hedge its risk with the use of foreign exchange contracts.

Engagement with employees

Employees are encouraged to be aware of the financial and economic factors affecting the company's performance via a monthly presentation from the board - available to all employees equally. Employees are informed about the financial performance of the company in the year to date as well as future plans and developments as appropriate.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ERIEZ MAGNETICS EUROPE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

This report was approved by the board on 12 December 2023 and signed on its behalf.

Gareth Meese

G Meese
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIEZ MAGNETICS EUROPE LIMITED

Opinion

We have audited the financial statements of Eriez Magnetics Europe Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as current inflationary pressures, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIEZ MAGNETICS EUROPE LIMITED
(CONTINUED)**

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 the Directors' report have been prepared in accordance with applicable legal requirements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIEZ MAGNETICS EUROPE LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

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 the Directors' report.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' responsibilities statement as set out on page 4, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of how the company is complying with significant legal and regulatory frameworks through inquiries of management;
- The company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified Financial Reporting Standard 102 and the Companies Act 2006 as those most likely to have a material effect if



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIEZ MAGNETICS EUROPE LIMITED
(CONTINUED)**

- non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
 - We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
 - In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the company's control environment;
 - the company's relevant controls over areas of significant risks; and
 - the company's business processes in respect of classes of transactions that are significant to the financial statements;
 - Audit procedures performed by the engagement team included:
 - identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and identifying and testing related party transactions;
 - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
 - The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
 - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
 - appropriate training, knowledge of the industry in which the company operates; and
 - understanding of the legal and regulatory requirements specific to the company;

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIEZ MAGNETICS EUROPE LIMITED
(CONTINUED)**

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.

Grant Thornton UK LLP

Dylan Rees BSc ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff

12 December 2023

ERIEZ MAGNETICS EUROPE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	4	20,842	17,020
Cost of sales		(19,225)	(13,560)
Gross profit		1,617	3,460
Distribution costs		(1,244)	(1,549)
Administrative expenses		(462)	(1,701)
Exceptional administrative expenses	13	(709)	-
Other operating income	5	3	-
Operating (loss)/profit	6	(795)	210
Interest payable and similar expenses	10	(243)	(184)
Other finance income	11	239	174
(Loss)/profit before tax		(799)	200
Tax on (loss)/profit	12	104	(101)
(Loss)/profit for the financial year		(695)	99
Other comprehensive income for the year			
Pension surplus not recognised		(3,676)	(413)
Movement of deferred tax relating to pension deficit		(2)	(76)
Actuarial gains on defined benefit pension scheme		3,668	760
Other comprehensive income for the year		(10)	271
Total comprehensive income for the year		(705)	370

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

The notes on pages 17 to 39 form part of these financial statements.

ERIEZ MAGNETICS EUROPE LIMITED
REGISTERED NUMBER:01397255

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	15	3,124	2,778
Investments	16	44	44
		<u>3,168</u>	<u>2,822</u>
Current assets			
Stocks	17	6,615	3,787
Debtors: amounts falling due within one year	18	4,240	2,941
Cash at bank and in hand	19	1,742	5,771
		<u>12,597</u>	<u>12,499</u>
Creditors: amounts falling due within one year	20	(5,314)	(4,136)
Net current assets		<u>7,283</u>	<u>8,363</u>
Total assets less current liabilities		<u>10,451</u>	<u>11,185</u>
Creditors: amounts falling due after more than one year	21	(11)	(22)
Provisions for liabilities			
Deferred tax	24	(226)	(244)
		<u>(226)</u>	<u>(244)</u>
Net assets		<u><u>10,214</u></u>	<u><u>10,919</u></u>
Capital and reserves			
Called up share capital	25	200	200
Profit and loss account	26	10,014	10,719
		<u>10,214</u>	<u>10,919</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 December 2023.

Gareth Meese

G Meese
Director

The notes on pages 17 to 39 form part of these financial statements.

ERIEZ MAGNETICS EUROPE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2022	200	10,719	10,919
Comprehensive income for the year			
Loss for the year	-	(695)	(695)
Remeasurement loss on pension surplus	-	(10)	(10)
Other comprehensive income for the year	-	(10)	(10)
Total comprehensive income for the year	-	(705)	(705)
At 31 December 2022	200	10,014	10,214

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2021	200	10,349	10,549
Comprehensive income for the year			
Profit for the year	-	99	99
Remeasurement gain on pension liability	-	271	271
Other comprehensive income for the year	-	271	271
Total comprehensive income for the year	-	370	370
At 31 December 2021	200	10,719	10,919

The notes on pages 17 to 39 form part of these financial statements.

ERIEZ MAGNETICS EUROPE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £000	2021 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(695)	99
Adjustments for:		
Depreciation of tangible assets	277	316
Interest paid	243	184
Interest received	(239)	(174)
Taxation charge	(104)	101
(Increase) in stocks	(2,828)	(253)
(Increase) in debtors	(1,146)	(790)
Increase in creditors	1,233	1,632
Corporation tax (paid)/received	(136)	1
Net cash generated from operating activities	(3,395)	1,116
Cash flows from investing activities		
Purchase of tangible fixed assets	(624)	(39)
Sale of tangible fixed assets	1	2
Interest received	239	174
Net cash from investing activities	(384)	137
Cash flows from financing activities		
Repayment of/new finance leases	(7)	(4)
Interest paid	(243)	(184)
Net cash used in financing activities	(250)	(188)

ERIEZ MAGNETICS EUROPE LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£000	£000
Net (decrease)/increase in cash and cash equivalents	(4,029)	1,065
Cash and cash equivalents at beginning of year	5,771	4,706
Cash and cash equivalents at the end of year	1,742	5,771
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,742	5,771
	1,742	5,771

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Eriez Magnetics Europe Limited is a private company limited by shares & incorporated in Wales. Its registered head office is located at Bedwas House Industrial Estate, Bedwas, Caerphilly, CF83 8YG.

Eriez Magnetics Europe Limited's principal activity is the design and manufacture of equipment for use in material movement, separation, purification and metal detection.

The financial statements are prepared in Sterling. Monetary amounts in these financial statements are rounded to the nearest £1,000.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

There is currently a high level of macro-economic uncertainty. The preparation of the financial statements requires the directors to make a number of estimates, including an assessment of the appropriateness of the going concern basis of preparation of the financial statements. This assessment includes a review of the future economic environment and the company's future prospects and performance.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.3 Going concern**

The company's business activities, together with its principal risks and uncertainties are set out in the Strategic report.

The company meets its day-to-day working capital requirements from cash headroom generated from operations. The directors have considered the company's forecast cash-flows and headroom until December 2024, which covers a period exceeding 12 months from approval of the financial statements by preparing a 'worst-case' cash-flow forecast. The 'worst-case' forecast includes trading and working capital assumptions that management consider highly unlikely and still demonstrates that cash headroom will be sufficient during the going concern period.

Included even in the 'worst-case' scenario is significant expenditure on capital assets which have been limited in previous years. The level of investment in improved manufacturing facilities will require a significant amount of cash. The return on this investment however will be seen in the form of an improvement in capacity and efficiency as well as in the quality and range of products we can offer our customers – ultimately leading to a more profitable and cash-generating business.

The company is intending to reduce its holding of raw materials which have previously been held as 'strategic stock' as confidence has been restored in the supply chain following the COVID-19 Pandemic – this will have a positive impact on cashflow.

In considering the appropriateness of the going concern basis for reporting, the directors have reviewed the strengths, weaknesses, opportunities and threats of the business.

One of the key strengths of the company is the diversity of the customer and product portfolio – multiple different industrial segments to spread the risk over a much wider sector of the market. Some of our key customers have been able to share their forecasts with us to give us confidence in future order levels. In addition, our laboratory is receiving high levels of samples for testing, which has always been a positive indicator of future activity levels.

The company has recovered well from the impact of the pandemic and finished the 2022 financial year strongly – with more booked orders than has been seen in the company's history.

The decision was taken at a group level to suspend new order acceptance from Russia both directly and indirectly following the invasion of Ukraine – a territory which has been key for the company in the past. In order to mitigate this risk, growth strategies have been deployed in alternative territories such as northern Africa, with great success and order input in the year-to-date 2023 has remained above budgeted levels.

The cost of energy is going to be a key consideration for all businesses in the coming years but the company is well placed to deal with this, with rates locked in until 2025.

The directors conclude that based on the highly unlikely nature of the 'worst-case' forecast and cash headroom still not breaching, the company will be able to operate within the level of its facilities for a period of at least 12 months from the approval date of these financial statements. Thus, they continue to adopt the going concern basis in preparing its financial statements, with no material uncertainties present.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.4 Revenue**

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

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.6 Pensions****Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a finance expense'.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.7 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.8 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 25 years
Plant & machinery	- 3 to 10 years
Assets under construction	- not depreciated
Leased assets	- 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.10 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)
2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.16 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Depreciation

The company exercises judgement to determine the useful lives and residual values of tangible fixed assets. The assets are depreciated down to their residual value over their estimated useful lives.

Provisions

A provision has been calculated for trade debtors and stock. The provisions are estimates of balances that may not be collected/recovered. The actual costs and timing of future cash flows are dependent on future events. The difference between the provision and the actual future liability will be accounted for in the period when such determination is made.

Stock valuation

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Defined benefit pension scheme

The company contributes to a defined benefit pension scheme. The accounting cost of these benefits and the present value of the pension liabilities involve judgements about uncertain events including such factors as the life expectancy of the members, the salary progression of current employees, price inflation and the discount rate used to calculate the net present value of the future pension payments. Estimates are used for all of these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and judgement regarding future expectations and external actuarial specialists are also used to assist in this exercise.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Turnover

The whole of the turnover is attributable to the sale of equipment for use in material movement, separation, purification and metal detection.

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	7,869	6,766
Rest of Europe	9,859	7,507
Rest of the world	3,114	2,747
	20,842	17,020

The key geographies included in the disclosure above are:

United Kingdom £7,869k (2021: £6,766k)
Austria £1,736k (2021: £919k)
Finland £1,384k (2021: £983k)
Turkey £1,292k (2021: £495k)
Ukraine £1,065k (2021: £125k)
Switzerland £904k (2021: £10k)
United States £838k (2021: £659k)
Kazakhstan £719k (2021: £1,077k)

5. Other operating income

	2022 £000	2021 £000
Government grants receivable	3	-

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets	277	316
Operating lease rentals	36	19

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	37	37
Non-audit fees		
Accounts preparation and tagging services	<u>3</u>	<u>1</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £000	2021 £000
Wages and salaries	6,823	4,788
Social security costs	565	457
Cost of defined contribution scheme	402	348
	<u>7,790</u>	<u>5,593</u>

Included within the cost above is £390,000 (2021: £125,000) of costs relating to redundancies made during the year.

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Production and distribution	75	69
Administration	59	55
	<u>134</u>	<u>124</u>

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	757	621
Company contributions to defined contribution pension schemes	89	109
	<u>846</u>	<u>730</u>

During the year retirement benefits were accruing to 4 directors (2021: 4) in respect of defined contribution pension schemes.

Included within the cost above is £390,000 (2021: £113,000) of costs relating to redundancies for 2 directors (2021: 1 director) made during the year.

The highest paid director received remuneration of £434,000 (2021: £201,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £46,000 (2021: £5,000).

10. Interest payable and similar expenses

	2022	2021
	£000	£000
Bank interest payable	12	6
Interest on net defined benefit pension	231	178
	<u>243</u>	<u>184</u>

11. Other finance income

	2022	2021
	£000	£000
Interest on net defined benefit pension	239	174

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	(85)	84
Adjustments in respect of previous periods	1	(2)
Total current tax	<u>(84)</u>	<u>82</u>
Deferred tax		
Origination and reversal of timing differences	(14)	(30)
Effect of changes in tax rates	(5)	53
Adjustment in respect of prior periods	(1)	(4)
Total deferred tax	<u>(20)</u>	<u>19</u>
Taxation on (loss)/profit on ordinary activities	<u>(104)</u>	<u>101</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
(Loss)/profit on ordinary activities before tax	<u>(799)</u>	<u>200</u>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(152)	38
Effects of:		
Expenses not deductible for tax purposes	13	17
Income not taxable	-	(1)
Tax rate changes	(5)	53
Effects of group relief/other reliefs	40	-
Adjustments to tax charge in respect of prior periods	-	(6)
Total tax charge for the year	<u>(104)</u>	<u>101</u>

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Exceptional administrative expenses

	2022	2021
	£000	£000
Exceptional administrative expenses	709	-

Exceptional administrative expenses relates to redundancy payments of £390,000 and a one off payment to employees due to the cost of living crisis of £319,000.

14. Analysis of net debt

	At 1 January 2022 £000	Cash flows £000	At 31 December 2022 £000
Cash at bank and in hand	5,771	(4,029)	1,742
Finance leases	(17)	7	(10)
	5,754	(4,022)	1,732

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Assets under construction £000	Leased assets £000	Total £000
Cost or valuation					
At 1 January 2022	3,299	3,400	-	62	6,761
Additions	20	446	158	-	624
Disposals	-	(8)	-	-	(8)
At 31 December 2022	<u>3,319</u>	<u>3,838</u>	<u>158</u>	<u>62</u>	<u>7,377</u>
Depreciation					
At 1 January 2022	1,365	2,574	-	44	3,983
Charge for the year	88	182	-	7	277
Disposals	-	(7)	-	-	(7)
At 31 December 2022	<u>1,453</u>	<u>2,749</u>	<u>-</u>	<u>51</u>	<u>4,253</u>
Net book value					
At 31 December 2022	<u>1,866</u>	<u>1,089</u>	<u>158</u>	<u>11</u>	<u>3,124</u>
At 31 December 2021	<u>1,934</u>	<u>826</u>	<u>-</u>	<u>18</u>	<u>2,778</u>

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	44
At 31 December 2022	<u>44</u>
Net book value	
At 31 December 2022	<u>44</u>
At 31 December 2021	<u>44</u>

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
Pulse Technology Limited	Eriez Magnetics Europe Limited, Bedwas House Industrial Estate, Bedwas, Caerphilly, CF83 8YG	Ordinary	100%
Prisecter Services Limited	Unit 13 Bedwas House Industrial, Estate, Bedwas, Caerphilly, CG83 8YG	Ordinary	100%
Boxmag-Rapid Limited	Bedwas House Industrial Estate, Bedwas, Caerphilly, CF83 8YG	Ordinary	100%
Centriforce Limited	Unit 17 Greenway, Bedwas House Industrial Est, Bedwas, Caerphilly, CF83 8YG	Ordinary	100%
Hydroflow Europe Limited	Unit 17 Greenway, Bedwas House Industrial Est, Bedwas, Caerphilly, CF83 8YG	Ordinary	100%
Prisecter India AVT Limited	Nagalkeni, Chrompet, Chennai, India, 600044	Ordinary	51%

All subsidiaries were dormant during the year.

17. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	4,080	1,861
Work in progress (goods to be sold)	1,110	1,246
Finished goods and goods for resale	1,425	680
	6,615	3,787

Included within raw materials and consumables above is a stock provision of £261,000 (2021: £201,000). Included within work in progress (goods to be sold) above is a stock provision of £92,000 (2021: £99,000). Included within finished goods and goods for resale above is a stock provision of £78,000 (2021: £89,000).

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Debtors

	2022	2021
	£000	£000
Trade debtors	3,563	2,353
Amounts owed by group undertakings	282	357
Other debtors	281	180
Prepayments and accrued income	114	51
	4,240	2,941

Included within trade debtors above is a debtors provision of £9,980 (2021: £1,200).

19. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	1,742	5,771

20. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Payments received on account	1,978	1,865
Trade creditors	1,091	598
Amounts owed to group undertakings	1,001	429
Corporation tax	-	65
Other taxation and social security	414	134
Obligations under finance lease and hire purchase contracts	7	7
Other creditors	1	35
Accruals and deferred income	822	1,003
	5,314	4,136

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Net obligations under finance leases and hire purchase contracts	3	10
Accruals and deferred income	8	12
	11	22

Securities

HSBC Bank Plc holds a counter indemnity omnibus dated 7 June 2013.

22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £000	2021 £000
Within one year	7	7
Between 1-2 years	3	10
	10	17

23. Financial instruments

	2022 £000	2021 £000
Financial assets		
Financial assets measured at amortised cost	5,587	8,481
Financial liabilities		
Financial liabilities measured at amortised cost	(2,932)	(2,094)

Financial assets measured at amortised cost comprise cash, trade debtors and amounts owed from group.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group, other creditors, accruals and net obligations under finance leases and hire purchase contracts.

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. Deferred taxation

	2022 £000	2021 £000
At beginning of year	(244)	(202)
Credited/(charged) to profit or loss	20	(18)
Charged to other comprehensive income	(2)	(24)
At end of year	(226)	(244)

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	(299)	(244)
Tax losses carried forward	64	-
Short term timing difference	9	-
	(226)	(244)

25. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
200,000 (2021: 200,000) Ordinary shares of £1 each	200	200

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

26. Reserves**Profit & loss account**

Includes all current and prior period retained profits and losses.

27. Capital commitments

At 31 December 2022, the company had capital commitments of £Nil (2021: £39,000).

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. Pension commitments
Stakeholder scheme

The company operates a defined contribution stakeholder scheme. Pension costs to the company for this scheme amount to £370,000 (2021: £308,000). At 31 December 2022 £33,000 (2021: £Nil) was due to the defined contribution stakeholder scheme.

Discretionary scheme

The company also operates a defined contribution discretionary scheme. Pension costs to the company for this scheme amount to £32,000 (2021: £40,000). At 31 December 2022 £Nil (2021: £10,000) is due from the defined contribution discretionary scheme and is included in Other debtors.

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 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 £Nil (2021: £Nil) including special premiums of £Nil (2021: £Nil). The most recent formal actuarial valuation of the Scheme was carried out at 31 December 2019 and was updated to 31 December 2022.

The Scheme was closed to further accruals and contribution on 30 November 2011.

An actuarial valuation of the Eriez Magnetics UK Limited 1987 Pension Scheme using the projected unit basis was carried out at 31 December 2022. The major assumptions used by the actuary have been detailed below.

Reconciliation of present value of plan liabilities:

	2022 £000	2021 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	12,585	13,585
Interest cost	231	178
Actuarial losses and (gains) on Scheme liabilities	(4,290)	(484)
Benefits paid	(692)	(694)
At the end of the year	7,834	12,585

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	12,998	13,242
Interest income on plan assets	239	174
Actuarial gains/losses	(622)	276
Benefits and expenses paid	(692)	(694)
At the end of the year	11,923	12,998

Composition of plan assets:

	2022 %	2021 %
Equities	37	35
Gilts	4	4
Bonds	13	15
Property	11	9
Annuities	26	32
Cash and alternatives assets	9	5
Total plan assets	100	100

	2022 £000	2021 £000
Fair value of plan assets	11,923	12,998
Present value of plan liabilities	(7,834)	(12,585)
Surplus not recognised	(4,089)	(413)
Net pension scheme liability	-	-

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Interest income on plan assets	239	174
Interest on obligation	(231)	(178)
Total	8	(4)
Actual return on scheme assets	(383)	450

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £102,000 (2021: £110,000).

	2022 £000	2021 £000
Analysis of actuarial loss recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	(622)	276
Experience gains and losses arising on the scheme liabilities	4,290	484
Increase in unrecoverable surplus	(3,676)	(413)
Movement on deferred tax on actuarial (loss)/gain	(2)	(76)
	(10)	271

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. Pension commitments (continued)

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2022	2021
	%	%
Discount rate	4.77	1.89
Rate of RPI Inflation	3.26	3.48
CPI price inflation - pre 2030	2.36	2.58
CPI price inflation - post 2030	3.16	3.38
Mortality rates		
- for a male aged 65 now	86.8	86.8
- at 65 for a male aged 45 now	87.8	87.8
- for a female aged 65 now	89.2	89.1
- at 65 for a female member aged 45 now	90.3	90.3

Reconciliation of plan assets and plan liabilities:

	2022	2021	2020
	£000	£000	£000
Defined benefit obligation	(7,834)	(12,585)	(13,585)
Scheme assets	11,923	12,998	13,242
Surplus	4,089	413	(343)
Experience adjustments on scheme liabilities	(4,290)	(484)	1,685
Experience adjustments on scheme assets	622	(276)	(326)

29. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£000	£000
Not later than 1 year	31	36
Later than 1 year and not later than 5 years	13	45
	44	81

ERIEZ MAGNETICS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

30. Related party transactions

Key management remuneration excluding directors amounts to £Nil (2021: £145,587). Directors' remuneration is disclosed in note 9.

In accordance with the exemptions afforded under FRS 102 section 33, there is no requirement to disclose transactions with other wholly owned entities of Eriez Manufacturing Company.

31. Controlling party

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