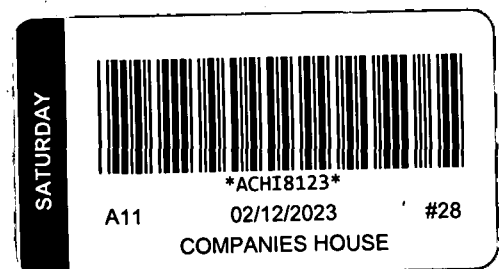


Registered number: 1476647

Precision Polymer Engineering Limited

Annual report and financial statements

for the year ended 31 December 2022



Precision Polymer Engineering Limited

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Precision Polymer Engineering Limited

Company information

Officers and professional advisers

Directors

H Jakubicek
J Myszak
B A Prybylski

Company Secretary

L M Anderson

Registered office

Greenbank Road
Blackburn
Lancashire
BB1 3EA

Bankers

J P Morgan Bank N.A
25 Bank Street
Canary Wharf
London
E14 5JP

Solicitors

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

Independent auditor

Deloitte LLP
Statutory Auditor
Leeds
United Kingdom

Precision Polymer Engineering Limited

Strategic Report

The directors present their strategic report and directors' report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2022.

Principal activity

The principal activity of the company continued to be that of the manufacture and distribution of elastomer seal components.

Results, key performance indicators and dividends

The directors were satisfied with the improvement in the years' results and believe the company is well placed to support further developments and growth for the future. The key performance indicators used by the company are turnover and profit before taxation. Turnover has increased 11% to £40,312,036 for the year (2021: £36,445,768). The increase in turnover is across all three business lines, Energy, Industrial and Semiconductor, due to the continued market recovery following the uncertainty caused by COVID-19 during 2021.

The profit before taxation for the year has increased to £9,118,895 (2021: £8,108,652). Although the company saw an 11% increase in turnover, cost of sales increased by a similar percentage resulting in a 0.3% increase in gross margin. The increase in costs was largely due to the inflationary rises in energy and other materials as a result of the conflict in Ukraine. A favourable exchange gain of £911,488 contributed significantly to the increase in profit (2021: £356,107 exchange loss).

The balance sheet on page 13 of the financial statements shows that the company's financial position at the year-end has increased by £519,742 in net asset terms from £16,922,071 to £17,511,813 due to the profit in the year offset by the dividend paid.

The directors paid a dividend of £8,000,000 (£1.45 per share) (2021: £6,250,000 - £1.13 per share) to Seals Limited.

Future developments

The company has redefined its strategy by having three core business lines – Semiconductor, Energy and Industrial. Clear teams have been set up in different geographical locations to enhance the company's ability to grow high value customer accounts and the company will continue to adopt this strategy going into 2023.

Financial risk management

The company's activities expose it to a number of financial risks including market risk, currency risk, and political and economic risk.

Political and economic instability

The conflict in Ukraine has had a widely reported significant destabilising impact on the world, and in particular, the European economies. The main impact to the company has been through the direct impact of increased energy costs and increases in other costs as suppliers seek to pass on their own increased costs. This has resulted in energy driven inflation causing interest rates to rise placing added pressure on customers thereby increasing market uncertainty and impacting demand. Where possible, the company has passed on energy and other cost increases to the market and seeks to implement a buying strategy to keep the costs of energy to the company as low as possible.

Market risk

Competitive pressure in the market is a continuing risk for the company, which could result in losing sales to other competitors, both in the UK and overseas. The company manages this risk by forming and maintaining strong relationships with all customers and offering high levels of service. The company also strives to continually improve levels of service and technical expertise on offer to its customers backed up by a strong development programme of new, innovative materials.

Precision Polymer Engineering Limited

Strategic Report

Currency risk

The company both imports and exports worldwide in currencies other than sterling, primarily Euros and US Dollars. The company is therefore exposed to the movement in rates of exchange against sterling. The company manages this risk by operating bank accounts in both Euros and US Dollars in order to facilitate the payment to suppliers in the same currency as received from customers and therefore reducing the need to exchange currency via sterling.

Foreign exchange movements were £0.9m gain in 2022 (2021: £0.4m loss) due to currency fluctuations.

Section 172 (1) Statement

The Directors fulfil their duty by ensuring that there is a strong governance structure and process running through all aspects of the Company's operations. The Company's strategy and business model are underpinned by the employees and all members of the Board undertake regular site visits to deliver key engagement and development programmes. The directors carefully consider, amongst other matters, the impact on and interest of other stakeholders in the Company and factor these into their decision making

Employees

The group policy is to keep employees informed on matters relevant to them as employees through structured communication channels, promote inclusion in the workplace and provide training and development opportunities where they are considered of benefit to the Company. The directors are committed to promoting a healthy workforce comprising both physical and mental wellbeing.

The Company's policy regarding disabled persons is set out in the Directors Report.

Customers

The directors commit considerable time and effort into understanding and responding to the needs of customers with a view to fostering long term relationships. We act to service our customers' needs to the highest standards and work quickly to resolve and disagreements that may arise from time to time.

Suppliers

The directors have established Company procedures to ensure that external suppliers are individually verified to ensure they meet with the standards required by the Company. The Company seeks to pay all suppliers any undisputed amount due and conform with the supplier's billing requirements within agreed terms. The Company seeks to resolve any dispute in a timely and fair manner.

Environment

The group is committed to preventing any possible adverse effects upon the environment and people, arising from its activities. The group seeks to minimise wherever possible the volume of waste it creates as a result of its activities. However, some waste is inevitable and where possible this is consolidated for reprocessing or recycling. Only licensed, approved specialist waste disposal contacts are used where disposal is the only option available.

Standards and conduct

The group and the Company have a series of defined codes of practice regarding ethical standards and the conduct of business. These are clearly communicated to every staff member and adherence to which is expected and enforced.

Approved by the Board of Directors and signed on behalf of the Board



J Myszak
Director

30 November 2023

Precision Polymer Engineering Limited

Directors Report

The Company's principal activity, results and dividends, future developments, balance sheet position, and principal risk and uncertainties are presented in the Strategic report.

Directors

The directors who have served during the year and up to the date of this report are as follows:

- M Uleman (resigned 14 July 2022)
- N Thompson (resigned 14 July 2022)
- E Riley (resigned 14 July 2022)
- B Green (resigned 1 July 2023)
- W K Grogan (appointed 1 September 2022, resigned 15 September 2023)
- J Myszak (appointed 1 September 2022)
- B A Prybylski (appointed 2 October 2023)
- H Jakubicek (appointed 15 June 2023)

Research and development activities

The laboratory continues to provide a facility utilised to develop innovative and boundary challenging materials in many cases specific to the many markets and industries served.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues, and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings, the Company intranet site and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes the financial position of the Company; its cash flows and liquidity position; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to market risk and currency risk.

The financial position of the company, its cash flows and liquidity position are strong.

The business is financed through cash generated from operating activities and there is no reliance on external sources of finance. Cash on the balance sheet is £1,518,580 at 31 December 2022 (2021: £1,697,458).

During 2022 the company has experienced an improved demand in the Industrial market, stabilisation in the Semicon market and a slight delay in the Energy market with no material impact on our trading position. We are continually monitoring our position through daily tracking of sales and orders, weekly cashflow forecasts and continued cost control activities. The volatility caused by the Russia Ukraine conflict and subsequent price and energy increases, were a concern throughout 2022, although this was managed carefully with price increases passed on to customers where possible with no significant impact on the current year profit.

The company has also conducted a detailed 18-month forecast, including cashflow, which is based on trends and market conditions currently seen in 2023, this shows that the business remains strong with no material uncertainties. The outlook into 2023 and 2024 sees sales growing by 7% year on year. The outlook assumes the Energy market will continue to grow, our underlying Industrial business remains flat with growth coming from price and slow but steady

Precision Polymer Engineering Limited

Directors Report

growth in Semicon. Should the current rate of inflation continue, profit would be protected through further price increases.

The company has considerable financial resources together with a strong order book with a number of customers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

After making enquiries, the directors have an expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Streamlined Energy & Carbon Reporting

This report is provided to comply with the UK government's policy on Streamlined Energy and Carbon Reporting.

Methodology:

The report is prepared in accordance with HM Government's Environmental Reporting Guidelines: Including streamlines energy and carbon reporting guidance (March 2019). Emissions have been categorised under the three different Scopes as defined by the GHG Protocol.

Scope 1: Direct emissions from activities owned or controlled by the Company.

Scope 2: Indirect emissions that are a consequence of the Company's consumption of purchased energy, but which occur at sources not owned or controlled by the Company.

Scope 3: Emissions that are a consequence of the Company's actions, which occur at sources which you do not own or control and which are not classed as Scope 2 emissions.

The 2021 UK government conversion factors were used for the calculations of carbon emissions. The company is solely based in the UK with no global emissions to report.

2022 is the first year of reporting, so no prior year comparison is required.

	2022
Energy consumption used to calculation emissions: /kWh	5,118,136
Scope 2: Indirection Emissions from Purchased Energy (tCO2e)	
Electricity	1039.1
Gas	18.0
Scope 3: Other Emissions from Company Activities (tCO2e)	
Business Travel in rental cars or employee-owned vehicles	19.1
Local Fuel Consumption in leased assets	24.9
TOTAL (tCO2e)	1101.1
Intensity Ratio: tCO2e per £m' of sales revenue	27.3

Precision Polymer Engineering Limited

Directors Report

Energy Efficiency Actions:

Precision Polymer Engineering Ltd is certified to ISO 14001. During 2022, an ESG taskforce was created for the IDEX sealing solutions platform, known as the ISSEEG (IDEX Sealing Solutions Energy & Environmental Group) with the aim of driving forward energy saving projects at local sites.

A £0.6m project to install a 602 kWp solar PV system at the Blackburn factory was approved in 2022. Installation is due to begin in 2023 and will reduce energy consumption by an average of 7.6% over a year.

Energy sub monitoring was undertaken during 2022 and will continue throughout 2023, identifying opportunities to reduce overall consumption via improved process efficiency and behaviours. Investment into energy sub-monitoring, process control development and improving awareness remains a high priority for the ISSEEG Taskforce.

Post balance sheet events

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

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the company and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



J Myszak
Director

30 November 2023

Precision Polymer Engineering Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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; and
- 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.

Independent Auditor's Report to the members of Precision Polymer Engineering Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Precision Polymer Engineering Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the members of Precision Polymer Engineering Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included GDPR and Health and Safety at Work Act.

We discussed among the audit engagement team including relevant internal specialists such as IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Independent Auditor's Report to the members of Precision Polymer Engineering Limited

- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Sam Hore

Sam Hore FCA

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, UK

30 November 2023

Precision Polymer Engineering Limited

Profit and Loss Account

For the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	40,312,036	36,445,768
Cost of sales		<u>(22,877,818)</u>	<u>(20,796,951)</u>
Gross profit		17,434,218	15,648,817
Distribution costs		(5,324,671)	(4,212,158)
Administrative expenses		<u>(2,760,683)</u>	<u>(3,328,007)</u>
Operating profit	4	9,348,864	8,108,652
Impairment in Investment	10	<u>(229,969)</u>	<u>-</u>
Profit before taxation	4	9,118,895	8,108,652
Tax on profit	8	<u>(599,154)</u>	<u>(1,218,781)</u>
Profit for the financial year		<u><u>8,519,741</u></u>	<u><u>6,889,871</u></u>

The notes on pages 16 to 29 form an integral part of these financial statements.

There are no recognised gains and losses other than as stated above for the current financial year or previous year. Accordingly, no statement of other comprehensive income has been presented.

All results above arise from continuing operations.

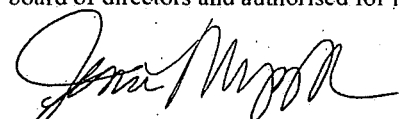
Precision Polymer Engineering Limited

Balance sheet

As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible fixed assets	9	3,478,332	3,045,660
Investments in Joint Ventures	10	321,885	551,854
		<u>3,800,217</u>	<u>3,597,514</u>
Current assets			
Stocks	11	4,914,964	3,903,157
Debtors due within one year	12	10,729,613	11,855,874
Debtors due in more than one year	12	410,993	70,428
Cash at bank and in hand		1,518,580	1,697,458
		<u>17,574,150</u>	<u>17,526,917</u>
Creditors: amounts falling due within one year	13	<u>(3,363,316)</u>	<u>(3,751,513)</u>
Net current assets		<u>14,210,834</u>	<u>13,775,404</u>
Total assets less current liabilities		<u>18,011,051</u>	<u>17,372,918</u>
Creditors: amounts falling due after more than one year			
Provisions for liabilities	14	<u>(499,238)</u>	<u>(380,847)</u>
Net assets		<u>17,511,813</u>	<u>16,992,071</u>
Capital and reserves			
Called-up share capital	15	5,506,862	5,506,862
Profit and loss account		12,004,951	11,485,209
Shareholders' funds		<u>17,511,813</u>	<u>16,992,071</u>

The financial statements of Precision Polymer Engineering Limited (registered number 1476647) were approved by the board of directors and authorised for issue on 30 November 2023. They were signed on its behalf by:



J Myszak
Director

Precision Polymer Engineering Limited

Statement of changes in equity

At 31 December 2022

	Called-up share capital	Profit and loss account	Total
At 1 January 2021	5,506,862	10,845,338	16,352,200
Profit for the year and total comprehensive income	-	6,889,871	6,889,871
Dividends paid (note 16)	-	(6,250,000)	(6,250,000)
At 31 December 2021	<u>5,506,862</u>	<u>11,485,209</u>	<u>16,992,071</u>
Profit for the year and total comprehensive income	-	8,519,741	8,519,741
Dividends paid (note 16)	-	(8,000,000)	(8,000,000)
At 31 December 2022	<u>5,506,862</u>	<u>12,004,950</u>	<u>17,511,813</u>

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Precision Polymer Engineering Limited is a private company incorporated in England in the United Kingdom limited by shares under the Companies Act 2006. The address of the registered office is given on Company information page. The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Precision Polymer Engineering Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Precision Polymer Engineering Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Precision Polymer Engineering Limited is consolidated in the financial statements of its parent, IDEX Corporation, which may be obtained at 3100 Sanders Rd Suite 301, Northbrook, IL, 60062, USA. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further describes the financial position of the Company; its cash flows and liquidity position; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to market risk and currency risk.

The financial position of the company, its cash flows and liquidity position are strong.

The business is financed through cash generated from operating activities and there is no reliance on external sources of finance. Cash on the balance sheet is £1,518,580 at 31 December 2022 (2021: £1,697,458).

During 2022 the company has experienced an improved demand in the Industrial market, stabilisation in the Semicon market and a slight delay in the Energy market with no material impact on our trading position. We are continually monitoring our position through daily tracking of sales and orders, weekly cashflow forecasts and continued cost control activities. The volatility caused by the Russia Ukraine conflict and subsequent price and energy increases, were a concern throughout 2022, although this was managed carefully with price increases passed on to customers where possible with no significant impact on the current year profit.

The company has also conducted a detailed 18-month forecast, including cashflow, which is based on trends and market conditions currently seen in 2023, this shows that the business remains strong with no material uncertainties. The outlook into 2023 and 2024 sees sales growing by 7% year on year. The outlook assumes the Energy market will continue to grow, our underlying Industrial business remains flat with growth coming from price and slow but steady growth in Semicon. Should the current rate of inflation continue, profit would be protected through further price increases.

The company has considerable financial resources together with a strong order book with a number of customers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

After making enquiries, the directors have an expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies (continued)

c. *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	10% straight line basis
Motor vehicles	25% reducing balance
Fixtures and fittings	10% straight line basis
Office equipment	10% straight line basis
Computer equipment	33% straight line basis

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

d. *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. As per group policy, inventories are assessed for impairment on a quarterly basis and a provision is made for obsolete, slow-moving, or defective items where appropriate. Reversals of impairment losses are also recognised as a credit in the Profit & Loss Account.

e. *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, based on all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company can control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies (continued)

e. *Taxation (continued)*

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. *Turnover*

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are dispatched to the customer. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

g. *Employee benefits*

Precision Polymer Engineering Limited operates a defined contribution pension scheme, for which the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

h. *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

i. *Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies (continued)

j. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

k. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of time value of money is material).

When some or all of the economic benefits required to settle the provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies (continued)

L. Investments in joint ventures

The Company holds a 55% investment in a joint venture in the Kingdom of Saudi Arabia. The value of the investment is held at cost less provision for impairment. The name and registered address is Precision Polymer Engineering International LLC, 2682 9-Al Olaya District, Unit No 107, Al Khobar, 34448, Kingdom of Saudi Arabia. The share capital of the joint venture, amounting to SR 1 million, is divided into 10,000 share of SR 100 each. The respective shareholdings at 31 December 2022 is as follows:

	Amount SR	Shareholding %
Precision Polymer Engineering Ltd, UK	550,000	55
Other	450,000	45
	<u>1,000,000</u>	<u>100</u>

The audited results for the year ending 31 December 2022 are as follows:

	2022 SR
Net Assets	2,701,254
Loss for the financial year	(1,455,972)

m. Financial assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors believe there are no critical judgements or key sources of estimation uncertainty required in the preparation of the financial statements.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

3. Turnover

An analysis of the Company's turnover by geographical market is set out below.

	2022 £	2021 £
Turnover:		
EMEA	21,694,822	19,169,170
Americas	8,883,516	9,152,760
Asia Pacific	9,733,698	8,123,838
	<u>40,312,036</u>	<u>36,445,768</u>

An analysis of the Company's turnover by business line is set out below.

	2022 £	2021 £
Turnover:		
Industrial	15,027,344	13,405,044
Energy	3,783,125	3,402,947
Semicon	21,482,968	19,630,213
Other	18,599	7,564
	<u>40,312,036</u>	<u>36,445,768</u>

All turnover was driven from the Company's principal activity in both the current and prior years (2021: same).

4. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of tangible fixed assets (note 9)	723,177	683,327
Research and development	401,052	197,180
Operating lease rentals	453,036	429,493
Foreign exchange (gain) / loss	(911,488)	356,107
Impairment of stock recognised as an expense	282,757	243,889
Impairment on investment	229,969	-
Loss on disposal of tangible fixed assets	5,897	10,639

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

5. Auditor's remuneration

Fees payable to the Company's auditor, Deloitte LLP, and their associates were as follows:

	2022 £	2021 £
Audit of the company's annual accounts	49,574	47,213
Taxation compliance services	8,450	8,450

6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2022 Number	2021 Number
Production	213	203
Distribution	9	8
Sales	25	24
Administration	21	20
	268	255

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	10,876,148	9,330,543
Social security costs	1,150,365	932,904
Other pension costs	583,187	494,351
	12,609,700	10,757,798

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

7. Directors' remuneration and transactions

	2022 £	2021 £
Directors' remuneration		
Emoluments	517,573	916,103
Company contributions to money purchase schemes	34,598	35,429
	<u>552,171</u>	<u>951,532</u>
	Number	Number
The number of directors who:		
Exercised options over shares in the parent company	<u>2</u>	<u>2</u>
	2022 £	2021 £
Remuneration of the highest paid director:		
Emoluments	263,474	403,163
Company contributions to money purchase schemes	<u>11,576</u>	<u>10,967</u>

The highest paid director exercised no share options in the year and had 1,655 shares receivable under long term incentive plans.

The highest paid director is a member of the Company's money purchase pension scheme.

2 directors were remunerated in the 2022 financial year (2021: 3). The number of directors who accrued benefits under company money purchase schemes was nil (2021: nil). Other directors are remunerated by other group companies, and their costs are incidental, so it is not practical to recharge their costs to the company.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

8. Tax on profit

The tax charge comprises:

	2022 £	2021 £
Current tax on profit		
UK corporation tax	857,006	1,012,257
Adjustments in respect of prior years UK corporation tax	(376,243)	167,577
Total current tax	480,763	1,180,104
Deferred tax		
Origination and reversal of timing differences	118,391	38,677
Total tax charge on profit	599,154	1,218,781

Factors that may affect future tax charges

The Provisional Collection of Taxes Act, enacted on 17 March 2020, set the corporation tax rate at 19% from 1 April 2020, the rate which has been used in preparing these financial statements.

The Finance Bill 2021 introduced an increase to the main rate of corporation tax to 25% from April 2023. This rate was substantively enacted on 24 May 2021. As a result, deferred tax balances expected to reverse after April 2023 and calculated at the previous 19% rate have been re-measured using the increased 25% rate.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2022 £	2021 £
Profit before tax	9,118,895	8,108,652
Tax on profit at standard UK corporation tax rate of 19 per cent (2021: 19 per cent)	1,732,590	1,540,644
Effects of:		
- Other	4,869	25,947
- Group tax relief	(762,062)	(515,387)
- Adjustments to tax charge in respect of previous periods	(376,243)	167,577
Total tax charge	599,154	1,218,781

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

9. Tangible fixed assets

	Plant & Machinery £	Motor Vehicles £	Fixtures & Fittings £	Computer Equipment £	Office Equipment £	Total £
Cost						
At 1 January 2022	7,749,462	2,328	1,592,107	891,218	57,596	10,292,711
Additions	1,081,329	-	58,656	21,761	-	1,161,745
Disposals	(34,385)	-	-	-	-	(34,385)
As at 31 December 2022	8,796,406	2,328	1,650,763	912,979	57,596	11,420,071
Depreciation						
At 1 January 2022	5,245,539	2,328	1,413,902	534,624	50,658	7,247,051
Charge for the year	525,578	-	49,195	146,025	2,378	723,177
On disposals	(28,488)	-	-	-	-	(28,488)
At 31 December 2022	5,742,630	2,328	1,463,097	680,650	53,036	7,941,740
Net book value						
At 31 December 2022	3,053,776	-	187,666	232,330	4,560	3,478,332
At 31 December 2021	2,503,923	-	178,205	356,594	6,938	3,045,660

The company has no assets held under finance leases (2021 same).

10. Investments in Joint Ventures

	2022 £	2021 £
Cost		
At 1 January	551,854	112,942
Additions	-	438,912
At 31 December 2022	551,854	551,854
Provision for impairment		
At 1 January	-	-
Impairment charge	229,969	-
At 31 December	229,969	-
Net book value		
At 31 December	321,885	551,854

In 2020, the company invested in a new joint venture project in the Kingdom of Saudi Arabia. During 2022, no capital contributions were made by PPE Ltd (2021: £438,912), however an impairment of £229,969 was recognised (2021: nil).

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

11. Stocks

	2022 £	2021 £
Raw materials and consumables	2,035,320	1,210,872
Work in progress	720,258	632,050
Finished goods and goods for resale	2,159,386	2,060,235
	<u>4,914,964</u>	<u>3,903,157</u>

Stocks are stated after provisions for impairment of £252,093 (2021: £356,039). The value of impairment of stock recognised as an expense during the year was £282,757 (2021: £243,889). There is no material difference between the balance sheet value of stocks and their replacement cost.

12. Debtors

	2022 £	2021 £
Amounts falling due within one year		
Trade debtors	3,591,958	2,708,338
Amounts owed by group undertakings	5,897,010	8,580,403
Prepayments and other debtors	629,892	567,133
Corporation Tax	610,753	
	<u>10,729,613</u>	<u>11,855,874</u>

Amounts falling due after more than 1 year

Loans to group undertakings	<u>410,993</u>	<u>70,428</u>
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Amounts owed by group undertakings shown within amounts falling due within one year are repayable on demand, interest free and unsecured.

Loans to group undertakings shown within amounts falling due after one year are repayable on demand, unsecured and interest is chargeable at 6%. The directors do not expect the amounts owed by group undertakings to be repaid within the next 12 months.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

13. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,574,296	1,423,478
Amounts owed to group undertakings	110,088	377,029
Corporation tax	-	98,690
Other taxation and social security	550,323	169,435
Accruals and deferred income	1,128,609	1,673,881
	<u>3,363,316</u>	<u>3,751,513</u>

Amounts owed to group undertakings are repayable on demand, interest free and unsecured.

14. Provision for deferred tax

	Deferred taxation £
At 1 January 2022	380,847
Charged to profit and loss account	118,391
At 31 December 2022	<u>499,237</u>

Deferred tax is provided as follows:

	2022 £	2021 £
Accelerated capital allowances	499,237	380,847
Provision for deferred tax	<u>499,237</u>	<u>380,847</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company. The Deferred tax balance relates to fixed assets which have varying expiration dates based on their useful lives.

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

15. Called-up share capital and reserves

	2022 £	2021 £
Allotted, authorised, called-up and fully-paid 5,506,862 ordinary shares of £1 each	<u>5,506,862</u>	<u>5,506,862</u>

The Company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Dividends

	2022 £	2021 £
Equity dividends		
Paid during the year:		
Dividends on equity shares, £1.45 per share (2021: £1.13 per share)	<u>8,000,000</u>	<u>6,250,000</u>

17. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2022		2021	
	Land & buildings £	Other £	Land & buildings £	Other £
Leases which expire:				
Within one year	-	2,675	-	5,049
Between one and five years	776,883	59,706	1,193,867	11,947
After more than five years	-	-	-	-
	<u>776,883</u>	<u>62,381</u>	<u>1,193,867</u>	<u>16,996</u>

At 31 December 2022 the company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in these financial statements	<u>977,024</u>	<u>353,126</u>

Precision Polymer Engineering Limited

Notes to the financial statements

For the year ended 31 December 2022

18. Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2022 was £583,187 (2021: £494,351). Unpaid contributions included within other creditors at the balance sheet date were £nil (2021: £nil).

19. Ultimate and immediate parent company and controlling entity

The company is a subsidiary of Seals Ltd. a company incorporated in the United Kingdom. The ultimate parent and ultimate controlling company is IDEX Corporation, a company incorporated in the United States of America. IDEX Corporation is the smallest and largest group that prepares consolidated group financial statements which include the results of Precision Polymer Engineering Limited, copies of which may be obtained from 3100 Sanders Rd Suite 301, Northbrook, Illinois, 60062, USA.

20. Related party transactions

In accordance with paragraph 1.12 of FRS 102 "Related Party Disclosures" transactions with other group undertakings within, and investee related parties of, the IDEX Corporation Group have not been disclosed in these financial statements. There have been no transactions with directors other than as disclosed in note 7.

21. Off balance-sheet arrangements

There are no transactions which have not been recognised in the financial statements (2021: nil).