Registered No. 01687068

IMI Precision Engineering Limited

Report and Financial Statements

For the year ended 31 December 2022

(Registered in England and Wales - number 01687068)

CONTENTS

The directors of IMI Precision Engineering Limited (the 'Company') submit their Strategic Report for the year ended 31 December 2022.

1. Principal activities

The Company is a wholly-owned subsidiary of IMI plc and it's immediate parent company is IMI Kynoch Limited. The Company operates as part of IMI plc's Precision Engineering division (the 'Division').

The Company's principal activities are (i) to provide global leadership to the companies in the Division, (ii) to provide strategic and functional services (including product development, HR, legal, pricing, operations and lean, procurement, finance, marketing, logistics, systems development and IT) to those companies and (iii) the control and distribution of finished stocks of the Division, mainly in Europe, including the majority of imports into and exports from this region. There were no changes to the Company's principal activities in 2022 and there are none planned for 2023.

2. Business review

The Company recorded an operating profit of €15,651,000 compared to €15,104,000 in the prior year. This movement is primarily due to higher sales in the Division. Profit before tax increased to €16,330,000 (2021: €14,278,000).

IMI plc manages its operations on a divisional basis. The Company's directors believe that analysis using key performance indicators for the Company is neither necessary nor appropriate for an understanding of the development, performance or position of the business of the Company. The performance of the Division, which includes the Company, is discussed in IMI plc's annual report, which does not form part of this report.

The Company is influenced by the decision making of the Divisional Managing Director, Beth Ferreira.

3. Future developments

The Company anticipates that it will continue to pursue its principal activities for the foreseeable future.

4. Principal risks and uncertainties

The Company's sales are reliant on the European pneumatics market, although this risk is mitigated by selling to a geographically diverse customer base.

The Company sells its products solely to intergroup customers and therefore does not bear any third-party credit risk.

The Company sells its products into international markets and it is therefore exposed to currency movements on such sales. Where appropriate, the Company manages this risk with forward exchange contracts in line with IMI plc's treasury policies.

The Company is financed by IMI plc. The details of the financing undertaken by the group of companies headed by IMI plc ("IMI **Group**" or "**Group**")) can be found in the IMI plc annual report and financial statements, which do not form part of this report. The risks facing the Group are discussed in IMI plc's annual report.

5. Section 172 Statement & Stakeholder Interests

The primary duty of the directors under Section 172 of the Companies Act 2006 is to act in the way they consider would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and to do so having regard as appropriate to certain statutory factors and other relevant matters.

All director decisions are made with the Company's long-term success in mind and the directors have regard to a broad range of matters including the voice of stakeholders. Set out below is specific commentary in relation to each of the Section 172 factors:

The likely consequences of any decision in the long-term

The Division, of which the Company forms a part of, has adopted a five-year business planning period and sets strategy with a view to long-term success. The strategic review process was undertaken during the year with that in mind. Long-term considerations had an influence in assessing which are the most attractive markets for the Company to focus on and how to optimise the businesses' footprint. The directors also review investment decisions with a long-term view, usually 5 or 10 years.

The interests of the Company's employees

The Company depends on its employees for its success and invests considerable time and resources on employee engagement, training and development.

Health and safety of our employees is of paramount importance and receives appropriate director and management attention and investments. Reflecting this importance, the directors measure and track performance closely.

Given how important our people are to our success we maintain an active dialogue with them. Some of the channels we use to facilitate this dialogue include an annual employee survey which is undertaken during the annual IMI Way Day. The directors use the data generated from this survey to continually improve the organisation. If specific local issues are identified, the directors undertake further work to gather more detail and then implement appropriate measures to drive improvement.

The Company forms part of the IMI plc group of companies. To support the Company, a non-executive director of IMI plc has been in place since 1 January 2019 in relation to employee engagement and has reported to the IMI plc Board in respect of employee views presented to him.

In May 2021, the Group launched a new internal communications platform *Workplace* which connects employees across all sites and showcases customer wins, strategy updates and people initiatives. This is kept up to date with policy changes, financial results, news and updates and other announcements.

Training and development of employees is important to the directors with management and leadership training courses available alongside training programmes for specific qualifications being available to employees.

Pension scheme participants benefit from the Group's approach to pension provision and financial prudence in reducing the funding deficit in relation to defined benefit obligations.

The need to foster business relationships with suppliers, customers and others

Customer service and value are at the core of our business model and strategy. The directors monitor indicators of the customer experience and welcome the increased emphasis on the customer which management is building.

The Company works closely with partners including suppliers, distributors and agents who are closely managed from a commercial and compliance perspective.

The impact of operations on the community and the environment

The Company has a positive contribution to the local community as an employer and through offering apprenticeships and employee training and community activities including the annual IMI Way Day, charitable activity and donations.

The Company monitors minimising its impact on the environment with energy and waste initiatives. Continued progress depends upon the directors driving such initiatives and channelling investment to projects with due regard for the environment.

The desirability of maintaining a reputation for high standards of business conduct

The Company is careful of its reputation and decisions reflect this and the great importance attached to the reputation by all key stakeholders. The Company demands high standards of conduct from all directors and employees and expects management to be mindful of how and with whom business is conducted. The Company will decline to have dealings with third parties who display poor business conduct.

The need to act fairly between shareholders of the Company

The directors understand the importance of treating shareholders fairly. The Company has only one class of share in issue and all shareholders individually enjoy the same shareholder rights as the others.

Approved by the Board and signed on its behalf by:

S Purewal

S Purewal
Director
28th April 2023

The directors of IMI Precision Engineering Limited (the 'Company') submit their Directors' Report together with the audited financial statements for the year ended 31 December 2022.

1. Profits and dividends

The results for the financial year are shown in the financial statements. The profit after tax for the year of €12,720,000 (2021: €10,602,000) has been transferred to reserves. A final dividend has been proposed for the year of €12,572,000 (2021: €11,245,000).

2. Directors

The directors who held office during the year and since 31 December 2022 were as follows:

C W Prince
N D Thompson
S Purewal
M Van Harten (appointed 6th April 2023)

The Company's ultimate parent, IMI plc, maintained directors' and officers' liability insurance for all directors.

3. Business Relationships

Management considers the Company's business relationships with suppliers and customers as strategically important. See further details on its relationships with all key stakeholders in the Section 172 report in the Strategic Report.

4. Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business review and Principal risks and uncertainties sections of the Strategic Report.

The financial statements have been prepared on a going concern basis. The directors have prepared forecasts including cash flow forecasts which are for a period of at least 12 months from the date of approval of these financial statements *up to and including April 2024. These demonstrate that the Company has sufficient headroom within its facilities to meet* its liabilities as they fall due.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company's financial forecasts, taking into consideration the current environment, show that the Company is expected to remain profitable and generate positive cash flows, giving the Company the ability to continue to operate for the foreseeable future.

The directors have considered the current macroeconomic conditions on the Company's operations and future prospects. The Company is well diversified and maintains a balanced portfolio operating across a range of markets, sectors and geographies with no single dependency. During this period of uncertainty, the Company continues to maintain a robust financial position.

Accordingly, the directors of the Company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

5. Disclosure requirements

In accordance with the Companies Act 2006 section 414C(11), the Company's Strategic Report contains certain disclosures required in the Directors' Report. The requirements are included within the principal activities, business review and principal risks and uncertainties sections of the Strategic Report.

6. Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with IMI plc policies, as noted in IMI plc's annual report, which does not form part of this report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

7. Research and development

During the year the Company continued to pursue its policy of developing existing and new products.

8. Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practical in the same or an alternative position and to provide appropriate training to achieve this aim.

9. Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulation 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company, has been continued through its internal communications platform *Workplace* in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly *in the success of the business through the IMI Group's profit sharing schemes and are encouraged to invest in the IMI* Group through participation in share option schemes.

Approved by the Board and signed on its behalf by:

S Purewal
Director
28th April 2023

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 '*Reduced Disclosure Framework*' (FRS 101).

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

IMI PRECISION ENGINEERING LIMITED
Registered No. 01687068
Income statement and statement of comprehensive income for the year ended 31 December 2022

Income statement

	Notes	2022 €000	2021 €000
Revenue	3	**401,292**	367,518
Cost of sales		**(298,351)**	(272,465)
Gross Profit		**102,941**	95,053
Distribution costs		**(14,801)**	(14,986)
Administrative expenses		**(72,489)**	(64,963)
Operating profit	4	**15,651**	15,104
Interest payable and similar costs	6	**(169)**	(58)
Other finance income/(expense)	17	**848**	(768)
Profit on ordinary activities before taxation		**16,330**	14,278
Income tax expense	7	**(3,610)**	(3,676)
Profit for the financial year		**12,720**	10,602

Statement of comprehensive income

	2022 €000	2021 €000
Profit for the financial year	**12,720**	10,602
Total comprehensive income for the year	**12,720**	10,602

All activities relate to continuing operations.

IMI PRECISION ENGINEERING LIMITED
Registered No. 01687068
Balance sheet
as at 31 December 2022

	Notes	2022	2021
		€000	€000
Non-current assets			
Intangible assets	9	**9,649**	10,096
Tangible assets	10	**2,557**	1,698
Right of use assets	11	**2**	-
		12,208	11,794
Current assets			
Stocks	12	**29,666**	28,712
Debtors	13	**23,965**	37,775
Derivative financial assets	17	**308**	-
Cash at bank and in hand		**2,310**	2,177
		56,249	68,664
Current liabilities			
Creditors: amounts falling due within one year	14	**(52,502)**	(66,795)
Lease liabilities	11	**(2)**	-
Deferred tax liabilities	7	**(394)**	(212)
Derivative financial liabilities	17	**-**	(540)
Provision for liabilities	15	**(1,173)**	-
		(54,071)	(67,547)
Net current assets		**2,178**	1,117
Net assets		**14,386**	12,911
Capital and reserves			
Called up share capital	16	**412**	412
Share premium account		**5**	5
Profit and loss account		**13,969**	12,494
Total equity shareholder's funds		**14,386**	12,911

For the year ended 31 December 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 (the 'Act') relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were authorised for issue by the board of directors on 28th April 2023 and were signed on its behalf by:

S Purewal
Director

IMI PRECISION ENGINEERING LIMITED
Registered No. 01687068
Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	€000	€000	€000	€000
At 1 January 2021	412	5	10,359	10,776
Profit for the financial year	-	-	10,602	10,602
Total comprehensive income for the year	-	-	10,602	10,602
Equity dividends paid	-	-	(8,467)	(8,467)
At 31 December 2021	412	5	12,494	12,911
Profit for the financial year	**-**	**-**	**12,720**	**12,720**
Total comprehensive income for the year	**-**	**-**	**12,720**	**12,720**
Equity dividends paid	**-**	**-**	**(11,245)**	**(11,245)**
At 31 December 2022	**412**	**5**	**13,969**	**14,386**

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of IMI Precision Engineering Limited for the year ended 31 December 2022 were authorised for issue by the board of directors on 28th April 2023 and the balance sheet was signed on the board's behalf by S Purewal. IMI Precision Engineering Limited is incorporated and domiciled in England and Wales and its registered office is at Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham, B37 7XZ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *'Reduced Disclosure Framework'* (FRS 101) and in accordance with applicable accounting standards.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022. The financial statements are prepared in euros and are rounded to the nearest thousand euros (€000).

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments and contingent liabilities that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IAS 7 *Statement of Cash Flows*;
(b) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(c) the requirements of IFRS 7 'Financial Instruments';
(d) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'; and
(e) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures'.

Critical judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key judgements that have had the most significant effect on amounts recognised in the financial statements are in relation to the level of provision held against stocks.

Significant accounting policies

(a) **Revenue recognition**

Revenue is recognised when performance obligations under the terms of a contract with our customer are satisfied. This generally occurs when the goods are transferred, or the services are provided, to our customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales and other taxes collected from customers are excluded from revenue. The nature of the equipment, valve and other contracts into which the entity enters means that:

2. Accounting policies (continued)

Significant accounting policies (continued)

(a) Revenue recognition (continued)

(i) the contracts usually contain distinct performance obligations, each of which transfers control of the goods to the customer. Where such distinct performance obligations are present, revenue is recognised on each element in accordance with the policy on the sale of goods; and

(ii) the service element of the contract is usually insignificant in relation to the total contract value and is often provided on a short-term or one-off basis. Where this is the case, revenue is recognised when the service is complete.

As a result of the above, the significant majority of the entity's revenue is recognised on a sale of goods basis. The specific methods used to recognise the different forms of revenue earned by the entity are set out below:

Sale of goods

Revenue from the sale of goods is recognised in the income statement net of returns, trade discounts and volume rebates when control has been transferred to our customer. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods.

The timing of the transfer of control to our customer varies depending on the nature of the products sold and the individual terms of the contract of sale. Sales made under internationally accepted trade terms, Incoterms 2010, are recognised as revenue when the entity has completed the primary duties required to transfer control as defined by the International Chamber of Commerce Official Rules for the Interpretation of Trade Terms. Sales made outside Incoterms 2020 are generally recognised on delivery to the customer. In limited instances, a customer may request that the entity retains physical possession of an asset for a period after control has been transferred to the customer. In these circumstances, the entity provides this storage as a service to the customer and therefore revenue is recognised prior to delivery of the asset.

Rendering of services

Servicing relates to repairs and maintenance activity that is completed at our customer sites within our installed base. Revenue from the rendering of services is usually insignificant in relation to the total contract value and is generally provided on a short-term or one-off basis. Accordingly, revenue is usually recognised when the service is complete.

Where this is not the case, revenue from services rendered is recognised in proportion to the stage of completion of the service at the balance sheet date.

The stage of completion is assessed by reference to the contractual performance obligations with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured. Installation fees are similarly recognised by reference to the stage of completion on the installation unless they are incidental to the sale of the goods, in which case they are recognised when the goods are sold.

Combined services and goods

When a transaction combines a supply of goods with the provision of a significant service, distinct performance obligations are identified an recognised in line with the applicable policy. Revenue from a service that is incidental to the supply of goods is recognised at the same time as the revenue from the supply of goods.

(b) Fixed assets and depreciation

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

2. Accounting policies (continued)

Significant accounting policies (continued)

(b) Fixed assets and depreciation (continued)

Leasehold land and buildings	Period of lease
Plant and machinery	10 years
Fixtures, fittings and equipment	3 – 10 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Assets in the course of construction are not depreciated until they are available to be used for their intended purpose.

(c) Intangible assets and amortisation

Intangible assets are initially recognised at cost and are then amortised on a straight-line basis over their estimated useful lives as follows:

Software	3 years
Development costs	10 years

(d) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of:

i. fixed payments less any lease incentives receivable;
ii. variable lease payments that are based on an index or a rate;
iii. amounts expected to be payable by the Company under residual value guarantees;
iv. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
v. payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising:

i. the amount of the initial measurement of the lease liability;
ii. any lease payments made at or before the commencement date less any lease incentives received; and
iii. restoration costs.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

There are no future cash outflows that the Company is potentially exposed to in relation to the measurement of lease liabilities which have not been reflected.

2. Accounting policies (continued)

Significant accounting policies (continued)

(d) Leases (continued)

Practical expedients applied

No practical expedient has been applied in relation to short term leases and low value assets and is not expected to be used in subsequent periods.

(e) Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

(f) Pensions

The Company participates in one group-wide pension scheme providing benefits based on final pensionable pay (defined benefit schemes), which was closed to future accrual on 31 December 2010. As a result of a contractual arrangement, the total net defined benefit obligation of this fund is now borne by IMI Kynoch Limited (a fellow IMI group company and the Company's parent company) and therefore in accordance with IAS19 'Employee Benefits', no net defined benefit costs are recognised in the Company's financial statements. The Company also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

(g) Taxation

The charge or credit for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the tax laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

(h) Stocks

Stocks are valued at the lower of cost or net realisable value. Provision is made where appropriate for obsolete, slow moving and defective stocks.

(i) Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(j) Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business review and Principal risks and uncertainties sections of the Strategic Report.

The financial statements have been prepared on a going concern basis. The directors have prepared forecasts including cash flow forecasts which are for a period of at least 12 months from the date of approval of these financial statements up to and including April 2024. These demonstrate that the Company has sufficient headroom within its facilities to meet its liabilities as they fall due.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company's financial forecasts, taking into consideration the current environment, show that the Company is expected to remain profitable and generate positive cash flows, giving the Company the ability to continue to operate for the foreseeable future.

2. Accounting policies (continued)

Significant accounting policies (continued)

(j) Going concern (continued)

The directors have considered the current macroeconomic conditions on the Company's operations and future prospects. The Company is well diversified and maintains a balanced portfolio operating across a range of markets, sectors and geographies with no single dependency. During this period of uncertainty, the Company continues to maintain a robust financial position.

Accordingly, the directors of the Company believe that it is appropriate to adopt the going concem basis in preparing the financial statements.

(k) Derivatives

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Such derivative financial instruments are initially recognised at cost and are subsequently fair valued at each balance sheet date.

The criteria for forward currency contracts are:

a) the instrument must be related to a firm foreign currency commitment;
b) it must involve the same currency as the hedged item; and
c) it must reduce the risk of foreign currency exchange movements on the Company's operations.

On maturity any subsequent gains or losses are taken to the income statement.

3. Revenue

	2022 €000	2021 €000
Sale of goods and services	**401,292**	367,518

Revenue recognised by geographical area is as follows:

	2022 €000	2021 €000
UK	**42,749**	35,022
Rest of Europe	**289,354**	273,200
Rest of World	**69,189**	59,296
	401,292	367,518

4. Operating profit

Operating profit is stated after charging/(crediting):

	2022 €000	2021 €000
Depreciation of Property, Plant and Equipment	**465**	423
Amortisation of intangible assets	**1,986**	1,883
Lease depreciation	**2**	2
Foreign exchange losses	**646**	1,359

5. Staff costs and directors' remuneration

(a) Staff costs

	2022	2021
	€000	€000
Wages and salaries	**8,991**	8,121
Social security costs	**1,270**	1,075
Pension costs	**466**	330
Share based payments	**1,849**	2,311
	12,576	11,837

The average monthly number of employees during the year was made up as follows:

	2022	2021
	Number	Number
Leadership, management, sales and administration staff	**89**	81

(b) Directors' remuneration

	2022	2021
	€000	€000
Directors' remuneration	**894**	962
Pension contributions	**91**	47
	985	1,009

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was €402,000 (2021: €377,000), and the Company pension contributions of €47,000 (2021: €nil) were made to the defined contribution scheme on his behalf.

The total remuneration received by the directors reflects their services as directors of the company and fellow subsidiary companies. The total remuneration cost retained within the Company is €162,000 (2021: €412,000), whilst the remainder is recharged to other group companies.

Retirement benefits accruing to the following number of directors under:

	2022	2021
	Number	Number
Defined contribution schemes	**3**	3
Defined benefit schemes	**1**	1

One director exercised share options during the year (2021: two).

6. Interest payable and similar costs

	2022	2021
	€000	€000
Interest payable on bank loans and overdrafts	**91**	58
Other	**78**	-
	169	58

7. Taxation

(a) Tax charged in the income statement	**2022**	2021
	€000	€000
Current income tax:		
UK Corporation tax	**3,728**	3,546
Adjustments in respect of prior years	**(300)**	232
Total current income tax	**3,428**	3,778
Deferred tax		
Origination and reversal of timing differences	**253**	(202)
Adjustment in respect of prior years	**(71)**	100
Total deferred tax	**182**	(102)
Tax expense in the income statement	**3,610**	3,676

(b) Reconciliation of the total tax charge

The tax charge recognised in the income statement for the year is different to the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are reconciled below:

	2022	2021
	€000	€000
Profit on ordinary activities before tax	**16,330**	14,278
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	**3,103**	2,713
Effects of rate change	**61**	(49)
Income not taxable and expenses not deductible for tax purposes	**351**	286
Overseas taxes	**466**	-
Double tax relief	**-**	394
Adjustments in respect of prior years	**(371)**	332
Total tax charge	**3,610**	3,676

(c) Change in Corporation Tax rate

The rate of corporation tax in the UK for 2022 was 19% (2021: 19%). As from 1 April 2023, it will increase from 19% to 25%. UK deferred tax assets and liabilities have therefore been calculated using a rate of 25% (2021: 25%).

(d) Deferred Taxes

The deferred tax included in the balance sheet is as follows:

	2022	2021
	€000	€000
Other temporary differences	**54**	(146)
Decelerated capital allowances	**340**	358
	394	212
Deferred tax liability at start of year	**212**	314
Deferred tax charge/(credit) in profit and loss account for year	**182**	(102)
Deferred tax liability at end of year	**394**	212

Deferred tax is recognised on the basis that there will be sufficient profits within the Company in future years against which the deferred tax asset can reverse.

8. Dividends paid and proposed

The aggregate amount of dividends comprises:

	2022	2021
	€000	€000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	11,245	8,467

A final dividend has been proposed for the year of €12,572,000 (2021: €11,245,000), which will be paid in 2023. This amounts to a dividend per share of €31.43 (2021: €28.11).

9. Intangible assets

	Customer Relationships	Software	Total
	€000	€000	€000
Cost			
At 1 January 2022	5,000	23,427	28,427
Additions	-	1,241	1,241
Reclassification		298	298
At 31 December 2022	5,000	24,966	29,966
Amortisation			
At 1 January 2022	5,000	13,331	18,331
Amortisation charge for the year		1,986	1,986
At 31 December 2022	5,000	15,317	20,317
Net book value at 31 December 2022	-	9,649	9,649
Net book value at 31 December 2021	-	10,096	10,096

Intangible assets amortisation is recorded in administrative expenses in the income statement.

10. Tangible fixed assets

	IT fixtures, fittings, tools, equipment and motor vehicles	Assets in the course of construction	Total
	€000	€000	€000
Cost at:			
1 January 2022	6,769	619	7,388
Additions	1,622		1,622
Reclassification	(298)		(298)
Transfers	390	(390)	-
31 December 2022	8,483	229	8,712
Depreciation at:			
1 January 2022	5,690	-	5,690
Charged in the year	465		465
31 December 2022	6,155	-	6,155
Net book value at 31 December 2022	2,328	229	2,557
Net book value at 31 December 2021	1,079	619	1,698

11. Leases

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Plant and equipment €000
As at 1 January 2022	-
Additions	4
Depreciation expense	(2)
As at 31 December 2022	2

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Plant and equipment €000
As at 1 January 2022	-
Additions	4
Payments	(2)
As at 31 December 2022	2
Current	**2**
Non-current	**-**

The following are the amounts recognised in the income statement:

	2022 €000	2021 €000
Depreciation expense of right-of-use assets	**(2)**	(2)
Interest expense on lease liabilities	**-**	-
Total amount recognised in profit or loss	**(2)**	(2)

12. Stock

	2022 €000	2021 €000
Finished goods	**29,666**	28,712

The replacement cost of stocks is not materially different from the amounts shown above.

Inventories are stated after provisions for impairment of €3,024,000 (2021: €2,565,000).

13. Debtors

	2022 €000	2021 €000
External trade debtors	**16**	-
Amounts due from parent undertakings	**1,744**	177
Amounts due from other group undertakings	**10,192**	32,188
Other debtors	**5,636**	2,099
Prepayments and accrued income	**6,377**	3,311
	23,965	37,775

Amounts due from IMI group undertakings are at arm's length terms and bear interest at the relevant risk-free rate plus an appropriate margin. Following a review of the historical collection of the amounts owed from group undertakings it has been concluded that no provision is required to reflect the requirements of the economic credit loss model pursuant to IFRS 9.

14. Creditors: amounts falling due within one year

	2022 €000	2021 €000
Bank overdraft	**3,037**	-
External trade creditors	**11,521**	6,958
Amounts owed to group undertakings	**22,601**	45,014
Dividend payable	**11,245**	8,467
Corporation tax	**2,814**	3,152
Other taxation and social security	**222**	599
Accruals and deferred income	**1,062**	2,605
	52,502	66,795

Amounts owed to IMI group undertakings are at arm's length terms and bear interest at the relevant risk free rate plus an appropriate margin.

15 Provisions for liabilities

		Rationalisation £000	Total £000
At 1 January 2022			-
	Current		-
	Non Current		-
Arising during the year		**1,501**	**1,501**
Utilised		**(328)**	**(328)**
Reversal of unused amounts			
At 31 December 2022		**1,173**	**1,173**
Analysed as:			
	Current	1,173	1,173
	Non Current	-	-
		1,173	**1,173**

16. Share Capital

	2022 Number	2021 Number	2022 €000	2021 €000
Authorised				
Ordinary shares of £1 each	**500,000**	500,000	**515**	515
Allotted, called up and fully paid				
At 1 January and 31 December	**400,000**	400,000	**412**	412

17. Derivative Financial Instruments

The Company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values are as follows:

	2022 €000	2021 €000
Forward foreign currency contracts asset/(liability)	**308**	(540)

The *movement in the fair value of these derivatives between each balance sheet date is recognised in the income* statement. The gain on contracts to 2022 was €848,000 (2021: loss of €768,000).

18. Pension scheme

The Company participates in one group-wide pension scheme providing benefits based on final pensionable pay (defined benefit scheme), which was closed to future accrual on 31 December 2010. As a result of a contractual arrangement, the total net defined benefit obligation of this fund is now borne by IMI Kynoch Limited (a fellow IMI group company and the parent company) and therefore in accordance with IAS19 *'Employee Benefits'*, no net defined benefit costs are recognised in the Company's financial statements. The Company also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The latest full actuarial valuations for the group-wide defined benefit pension scheme was carried out on 31 March 2021 and was updated for IAS 19 purposes to the year end by a qualified independent actuary. At 31 December 2022 the scheme's surplus was €21.4m (2021: €153.5m). Full disclosure of the scheme is contained in the consolidated financial statements of IMI plc.

The Company made contributions of €466,000 (2021: €330,000) to the IMI group's defined contribution scheme.

19. Share-based payments

The Company participates in the following IMI plc group share-based payment schemes:

IMI Sharesave Scheme ('SAYE')
This scheme is open to the majority of the group's UK employees, including the IMI plc executive directors, and allows the grant of options to all participants at a discount of up to 20% below the market price. Such schemes are not subject to performance conditions and offer tax incentives to encourage employees to use their own money to purchase IMI shares. SAYE options may be exercised within six months of the date they first become exercisable.

The IMI Incentive Plan ('IIP')
In light of the expiry in 2015 of the SMP, the IIP was introduced to act as the group's sole senior executive long-term incentive plan. The IIP acts as an umbrella plan which allows the Company to grant different types of award to different employee groups in an efficient way. The IIP is to be used annually to grant 'Performance Share Awards' in respect of ordinary shares to the executive directors and other members of senior management subject to performance conditions. The IIP will also be used annually to grant 'Bonus Share Awards' below board level. The IIP also gives the IMI group the ability to grant 'Restricted Stock Unit Awards' and 'Share Options'. It is currently intended that Restricted Stock Unit Awards and share options will only be granted in response to specific business requirements.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Analysis of options granted

	Employee SAYE options			**IMI Incentive Plan (1)**		
	Number of options granted (thousand)	Weighted average option price	Normal exercisable date		Number of options granted (thousand)	Normal exercisable date
IMI Sharesave Scheme				**IMI Incentive Plan (1)**		
2018	50	1155c	2021-2024	2018	193	2020-2021
2019	*90*	*1034c*	*2022-2025*	*2019*	*155*	*2021-2022*
2020	24	1032c	2023-2026	2020	53	2022-2023
2021	40	1389c	2024-2027	2021	97	2023-2024
2022	**45**	**1530c**	**2025-2028**	**2022**	**46**	**2024-2025**

(1) These options were granted at an option price of €nil.

The following table illustrates the number of share options exercised during the year:

	2022	2021
	Number of options (thousand)	Number of options (thousand)
Options not granted at nil cost	**44**	77
Options granted at nil cost	**50**	34

The following table illustrates the number and range of option prices of share options outstanding at the end of the year:

	2022		2021	
	Number of options (thousand)	**Range of option prices**	Number of options (thousand)	Range of option prices
Options not granted at nil cost	**138**	884p-1260p	146	845c-1467p
Options granted at nil cost	**263**	-	278	-

19. Share based payments (continued)

The weighted average share price at the date of exercise for the options exercised during the year was €16.76 (2021: €19.92).

The weighted average remaining contractual life of share options outstanding at 31 December 2022 is 5.8 years (2021: 6.2 years).

The total expenses recognised for the year arising from share-based payments are as follows:

	2022	2021
	€000	€000
Equity settled share-based payment expense recognised in profit and loss	**1,849**	2,311

20. Contingent liabilities

There is a right of set off with the Company's bankers relating to the balances of the Company, its parent and certain of its fellow wholly owned United Kingdom undertakings with that bank. The Company's maximum liability is limited to the extent of its current account cash balance.

21. Related party transactions

The Company has taken advantage of the exemption available under IAS24 'Related Party Transactions' not to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

22. Ultimate parent company

The immediate parent undertaking is IMI Kynoch Limited which is registered in England and Wales.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is IMI plc. *Copies of the IMI plc consolidated financial statements can be obtained from:*

The Company Secretary
IMI plc
Lakeside
Solihull Parkway
Birmingham Business Park
Birmingham B37 7XZ

Or at www.imiplc.com