

ERIKS Industrial Services Limited

**Annual Report and Financial Statements
for the year ended 31 December 2021**

Company Number 03142338



ERIKS Industrial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2021

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Strategic Report for the year ended 31 December 2021

The directors present their strategic report of the company for the year ended 31 December 2021.

Principal activities

The principal activity of the company is the provision of industrial products and services to its customers revolving around the supply of bearings, power transmission, pneumatic and hydraulic products, seals, gaskets, hoses, valves products, electric motors, gearboxes, pumps and other industrial consumables.

Review of the business

Sales in the year from continuing operations grew by 6.0% to £266.0 million (2020: £251.0 million), reflecting a continued recovery from the COVID-19 related decline in volumes. Growth continued to be focused on strategic customer accounts and specialist original equipment manufactured products. Operating profit, before exceptional restructuring costs, fell by 46.6% to £2.4 million (2020: £4.5 million). Whilst gross profit increased by £5.2m this was offset by an increase in administration expenses of £4.5m. The increase in administration expenses included additional digital and IT infrastructure support costs of £2.9m, an increase of £0.7m in Group support charges and dual site running costs during the migration from the Halesowen to Oldbury facility of £0.6m. The company continued to access the UK government coronavirus job retention scheme in the first quarter of 2021 which was recognised as £0.2m of other operating income (2020: £2.4m).

The company continued to consolidate its operating footprint with associated exceptional operating costs in the year of £2m. Capital investment of £7.4m was made in a new Fulfilment Centre of Expertise in Oldbury which will enable efficient product distribution across the country using the latest automation equipment. Further investment of £1.1m was made in enhancing specialist engineering facilities to support increasing customer demand.

The total comprehensive income for the financial year ended 31 December 2021 was a gain of £16,852,000 (2020: loss £5,000), this includes a gain on the re-measurement of the net defined benefit pension obligation, net of related deferred taxation, of £16.1 million (2020: loss £2.2 million). At the year end the Company had net current assets of £73.7m (2020: £81.7m). No dividend was proposed or paid during the year (2020: nil).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below.

1. Impact of COVID-19

Whilst the impact of the virus is having generally less serious health consequences following the roll out of a vaccine programme, new variants risk future lockdowns with increased restrictions on trading. Whilst reductions to the fixed operating cost base of the company make the business more resilient to such shocks the impact would reduce revenue growth potential.

2. Reliance on large contracts

The loss of major contracts or the lack of new contracts would constrain the potential for company revenues to grow. Overheads associated with any particular contract are, however, avoidable and would be removed if a contract was lost, or not incurred as planned if new business was not won. The pipeline of potential contract wins and the respective progress of negotiations is a key area of focus by senior management.

2. Competition

The company operates in an extremely competitive environment and aggressive pricing from competitors could potentially lead to gross margin attrition. The company seeks to develop its business through the delivery of products and services based on a detailed knowledge of products, applications and logistic processes necessary to meet customers' needs.

3. Employees

The company's performance depends to a significant degree on the dedication of staff spread over a large geographical area. The loss of key individuals and the inability to recruit people with appropriate experience and skills could adversely impact the company's results. To mitigate these issues, the company has a focused training programme, an engineering apprentice scheme, and employee forums gathered from across all levels of the business units. In addition, a number of incentive schemes that are linked to both the ERIKS Group's results and performances within the individual business units are designed to retain key individuals.

4. Disaster Recovery

The key operational risk to the overall company business is an incident that disrupts or terminates the Fulfilment Centre of Expertise and shared service function at Oldbury. Standby generator availability is in place together with data back-up arrangements to ensure continuity of fulfilment capability from the site.

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Strategic Report for the year ended 31 December 2021 (*continued*)

Future outlook

The company has continued to be resilient to the full impact of the COVID-19 pandemic.

The company operates across a wide range of industrial sectors and as the pandemic impact reduced during 2021 the order book position improved significantly, entering 2022 with forward orders £16.6m (60%) higher than at the start of 2021. This positions the company strongly as it enters 2022. The company's liquidity position remains strong and even in worst-case scenarios assessed there is confidence that credit facilities in place will be sufficient to support forecast trading outcomes for the foreseeable future.

S172 (1) Statement

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider would most likely be in the best interests of the Company taking into account the requirements of all stakeholders. We aim to build positive relationships with stakeholders who share our values to help deliver long-term sustainable success.

Decision making is made within the ERIKS Management Charter and key decisions are made in full consultation with the directors of the ERIKS NV. The Board have the full support of the shareholder in developing the Company for the benefit of all stakeholders. Engagement with other stakeholders is illustrated below.

Employees

Our people are key to our success and we want them to be successful both individually and as a team. We listen to employees' views through regular engagement surveys and have two-way communication channels in place which supports trust and engagement. We place a very high value on keeping our employees safe at work and have introduced mental health first aiders to provide further support if required. As the business evolves the knowledge of employees is also valued to make sure that required changes are viable and sustainable.

All employees receive appropriate training predominantly through in-house programmes, with all new employees attending induction courses designed to familiarise them with the company's products, services and procedures. All employees have access to ERIKS Learning, which offers a wide range of e-learning courses that support ERIKS employees to continuously develop skills and knowledge.

We seek to communicate fully with employees so that they understand and support the Company's objectives. Communication is made through a number of channels including daily briefings on key topics and bi-weekly newsletters. Recognition of employee achievements and successes is a key feature of such publications. We also encourage open communication via an anonymous email channel which directs questions directly to the Executive Management Board.

The company is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no job applicant or employee receives less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion, political beliefs, disability, sex or marital status.

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.

An externally provided Employee Assistance Programme is in place and is designed to provide a safe and confidential environment for employees to seek help, advice or support in relation to any personal issues they have. In addition, employees have access to a confidential reporting system direct to SHV, 'Speak Up', to enable them to raise any concerns regarding business practices.

Customers

Our ambition is to deliver a best in class service to our customers. Service levels are monitored by regular surveys and our sales teams have focused on improving response times and communications to our broad customer base. We continue to engage with customers to ensure that our organisation is structured so as to give them an optimal service.

Suppliers

The Board recognises the importance of building strong relationships with suppliers and has regular strategic and operational meetings to ensure full alignment in objectives.

ERIKS Industrial Services Limited

Strategic Report for the year ended 31 December 2021 (continued)

S172 (1) Statement (continued)

Communities and the environment

Engagement with local communities is important to our regional presence. Our local branches support local community events and our sustainability focus harnesses our passion for technology, manufacturing know-how and innovation towards the creation of a better planet. We have taken steps to be responsible for our own actions, such as the implementation of a "zero waste to landfill" target, improvement of our carbon management and resource utilisation and to achieve more responsible manufacturing of our own products.

We are also using our expertise and capabilities to help our customers manufacture more sustainably through our energy-efficient products, our total product lifecycle approach, and our deep understanding of industrial processes. To this end, the ERIKS group has set a number of sustainability goals:

- zero work-related accidents
- Make progress and report annually to the United Nations Global Compact (UNGC)
- Ensure 100% of suppliers acknowledge the ERIKS Supplier Code of Conduct
- Ongoing delivery of environmental savings to customers

The company's customer base is spread amongst all the major manufacturing and processing industries in the UK and it encourages all customers to consider sustainability issues using tools such as the company's own "Total Cost of Ownership" model. The company is committed to continued product and service innovation aimed at further supporting our customers to positively affect reductions in four main areas: Energy, Waste, Pollution and Risk. In addition, the company is working with our suppliers to ensure compliance with code of conduct on sustainability and ethical employment values throughout our supply chain.

Government and regulators

The Board is committed to maintaining the highest standards of ethics and compliance and has a dedicated Ethics & Compliance Officer to support training and compliance requirements.

By order of the Board



M R Powell
Company Secretary
31 May 2022

ERIKS Industrial Services Limited

Directors' report for the year ended 31 December 2021

The directors present their report and audited financial statements of the company for the year ended 31 December 2021.

Dividends

No dividend was proposed or paid during the year (2020: nil).

Directors

The directors who held office during the financial year and up to the date of signing the financial statements are given below:

AMJ Fitchford
DA Gillies

Directors' indemnities

The company maintains liability insurance for its directors and officers through membership of a group policy administered by the company's ultimate holding company, SHV Holdings N.V. The company has also provided an indemnity for the directors and the company secretary, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force throughout the year and is currently in force.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk. The ERIKS Group policy is that all financing is provided by ERIKS UK Holdings Limited at rates based on the sterling base interest rate. The ERIKS Group Treasury department manages this financing.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The credit status of existing customers is monitored by the company's credit controller. The amount of exposure to any individual company is subject to a limit, which is reviewed regularly by senior management. These actions minimise, but do not remove, the company's credit risk. During 2021 the company benefited from insurance of its debtor book with a major international credit insurer.

Liquidity risk

The company is financed by intercompany loans from ERIKS UK Holdings Limited, which are controlled by the ERIKS Group Treasury department and are designed to ensure that the company has sufficient funds for operations and planned expansions. All cash generated by the company is swept into the accounts of ERIKS UK Holdings Ltd daily via the loan accounts. Cash requirements are similarly met by sweeps from the ERIKS UK Holdings bank accounts.

Interest rate risk

The intercompany financing loans bear interest at UK base rate plus a fixed margin. Surplus cash generated is loaned back to ERIKS UK Holdings Limited. The interest income generated mitigates the cost of any loans granted by that company.

Foreign exchange risk

A small proportion of the company's turnover and purchases is denominated in currencies other than Sterling. The company limits its exposure to exchange rate fluctuations by entering into periodic hedging arrangements with the ERIKS Group Treasury department.

Streamlined energy and carbon report

Summary

The energy consumption for the company for the year to 31 December 2021 was 24,921,242 kWh (2020: 24,007,099 kWh) and the greenhouse gas emissions were 4,195 tCO₂e (2020: 4,278 tCO₂e). These include the emissions associated with UK electricity and natural gas consumption and business travel in company vehicles as required by legislation.

The directors believe that the most relevant intensity ratio for comparison between years is tCO₂e per £ million of turnover. The intensity ratio for 2021 was 15.8 tCO₂e/£m (2020: 17.0 tCO₂e/£m).

ERIKS Industrial Services Limited

Directors' Report for the year ended 31 December 2021 (continued)

Streamlined energy and carbon report (continued)

Green renewable energy

The company procures its gas and electricity via a third party management company who have been instructed that 100% green renewable electricity be supplied to all properties wherever possible.

Greenhouse Gas Emissions

Greenhouse gas emissions by fuel:

	2021	2020	2019
	TCo2e	TCo2e	TCo2e
Natural gas consumption	1,758.6	1,188.2	1,206.6
Fuel consumption - transport	2,397.0	3,048.8	4,356.8
Electricity – purchased from grid	39.5	40.6	47.8
Electricity – green/renewable	-	-	-
Total	4,195.1	4,277.6	5,611.2
Turnover (£ million)	266.0	251.0	277.9
Intensity (tCO2e per £1m)	15.8	17.0	20.2

Greenhouse gas emissions by scope:

	2021	2020	2019
	TCo2e	TCo2e	TCo2e
Scope 1	4,155.6	4,237.0	5,564.4
Scope 2	39.5	40.6	47.8
Scope 3	314.0	332.1	298.3
Total	4,509.1	4,609.7	5,910.5

Scope 1: Natural gas, fuel oil and company operated transport; Scope 2: electricity; Scope 3: grey fleet

Energy Consumption

The company's energy consumption for the year is analysed below:

	2021	2020	2019
	kWh	kWh	kWh
Electricity – (green/renewable)	5,014,054	4,697,504	5,039,131
Electricity – (grid)	185,946	174,207	186,876
Gas for heating	9,601,302	6,462,212	6,562,136
Transport fuel	10,119,940	12,673,176	18,110,296
Total	24,921,242	24,007,099	29,898,439

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This approach captures emissions associated with the operation of the company's premises, company owned/controlled vehicles, cars and LGVs and grey fleet transport. The information in this report was collected in line with the UK Government's Environmental Reporting Guidelines, 2019. Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope. The reporting period is January to December 2021. The year to December 2019 has been selected as the base year as this period most closely matched the company's current structure and geographical footprint.

Energy reduction achieved

Since 2019 a number of reductions have been made, principally in transport energy usage. This has resulted in an overall energy reduction of 16.6%. The lower energy usage in 2020 is due to the COVID 19 lockdown restrictions in force during that year.

Energy efficiency initiatives

The company is an active member of the SHV Group Sustainability forum. The opening line of the group's sustainability statement is "We are all responsible for creating a better planet – through what we do and what we choose not to do". This underpins the culture within the company and the wider SHV group to one of energy and resultant emissions reduction.

ERIKS Industrial Services Limited

Directors' Report for the year ended 31 December 2021 (continued)

Streamlined energy and carbon report (continued)

The Company's investment in a Fulfilment Centre of Expertise will facilitate a more efficient distribution model with a lower carbon footprint. In addition a number of energy efficiency actions have been taken along with those recommended in the company's ESOS 2 report are considered as potential future energy saving measures. An example of the actions taken are:

- All new builds and major refurbishments have high efficiency or LED lighting with sensor control where applicable.
- The number of IT servers has been reduced and servers have been upgraded to more energy efficient models.
- There has been ongoing staff awareness training on sustainability, energy reduction and efficient driving.
- A programme has been introduced to replace diesel company cars with hybrid or electric models at the end of their lease period.
- The establishment of regional hubs to reduce the delivery miles of the LCV fleet.

Corporate Social Responsibility

The company recognises that it has responsibilities to all interest parties which include the interests of employees and their families, the need to maintain healthy and mutually beneficial relationships with the company's business partners, customers, suppliers and others and the impact of the company's operations on the local communities where it operates. This ethos is underpinned by SHV's 'courage to care for generations to come' principles. Aligned with this the company has established a set of values the directors believe will assist in meeting that responsibility:

- Professionalism and integrity
- Health & safety
- Communication
- Loyalty
- Passion
- Sustainability
- Respect

Full details of the ERIKS values can be found on our website at www.eriks.co.uk/en/about-eriks/eriks-values/

Health and Safety

Health and safety remains core to the company's business and is recognised by all employees as the number one priority. This has been reinforced by the continued promotion of the ZERO Hero safety communication programme along with the monitoring of compliance to our 8 Life Saving Rules and the use of the "Authority to Stop" cards where an employee witnesses and then intervenes to stop unsafe acts or remedy unsafe situations. As one of a number of events within our annual safety week the whole company again took time to "stand down" from work during the week commencing 18 October to attend a shared safety briefing from the senior management and health & safety teams on current issues and initiatives. Data from within the company's Intalex Safety Management system is now being used to identify high risk and common issues to drive continual improvement. To further reinforce our commitment the company has now continued to work on the process to seek certification of its safety management system to the new ISO45001 international standard for the management of Occupational Health and Safety systems.

Employment policies and employee engagement

ERIKS approach to employment policies and employee engagement is outlined in the s.172 (1) statement on pages 2 and 3.

Apprentice and Management Development programmes

In order to sustain skill levels within the business, ERIKS continues to support an apprentice programme, supporting Apprentices through to a professional qualification.

There is a groupwide leadership programme, Elevate, a bespoke 12-month Senior Leadership Development Programme and the company supports its managers who want to complete a Management Apprenticeship leading to an Institute of Learning & Management qualification. In addition, the Group provides free access to all staff to the LinkedIn Learning online library of courses.

Ethics and Compliance

ERIKS UK is committed to applying the highest standard of ethical conduct and integrity in its business. Every employee and individual acting on behalf of ERIKS is responsible for conducting business honestly, professionally and in accordance with Group policies and all applicable laws. Mandatory training is provided to employees in critical areas such as anti-bribery and corruption, export and competition law. The company has a dedicated Ethics and Compliance Officer whose duties combine providing assistance to colleagues and the company-wide monitoring of policy compliance. Full details of the company's ethical policies can be found in the Corporate section of the company's website www.eriks.co.uk/en/

ERIKS Industrial Services Limited

Directors' report for the year ended 31 December 2021 (continued)

Corporate Social Responsibility (continued)

Sustainability

Sustainability and innovation are a key part of our knowhow offering, the details of which are noted in the s.172 (1) statement on pages 2 and 3.

Charitable work in the community

The company is focused on running a responsible business within our community. We are actively building relationships with our local community and support charitable causes identified by the company, our employees and our business partners.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: nil)

Statement of disclosure of information to the auditor

In the case of each director in office at the date the Directors' Report is approved, under section 418 of the Companies Act 2006 the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board



**M R Powell
Company Secretary
31 May 2022**

Registered office
Seven Stars Road, Oldbury, West Midlands, B69 4JR

ERIKS Industrial Services Limited

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the Board



M R Powell
Company Secretary
31 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERIKS INDUSTRIAL SERVICES LIMITED

Opinion

We have audited the financial statements of ERIKS Industrial Services Limited ("the company") for the year ended 31 December 2021 which comprise the *Profit and loss account*, *Statement of comprehensive income*, *Balance sheet*, *Statement of changes in equity* and related notes, including the summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors.
- Using analytical procedures to identify any unusual or unexpected relationships.
- We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that particular revenue is recorded in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as pension assumptions and assumptions used in calculating inventory and dilapidation provisions.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



**Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

31 May 2022

ERIKS Industrial Services Limited

Profit and loss account for the year ended 31 December 2021

		2021 Before Exceptional Charge	2021 Exceptional Operating Costs (Note 6)	2021 Total	2020 Before Exceptional Charge	2020 Exceptional Operating Costs (Note 6)	2020 Total
	Note	£000	£000	£000	£000	£000	£000
Turnover	5	266,005	-	266,005	250,997	-	250,997
Cost of sales		(186,889)	(413)	(187,302)	(177,145)	-	(177,145)
Gross profit		79,116	(413)	78,703	73,852	-	73,852
Distribution costs		(36,729)	-	(36,729)	(36,124)	-	(36,124)
Administrative expenses		(40,094)	(1,544)	(41,638)	(35,635)	(2,811)	(38,446)
Other operating income		153	-	153	2,438	-	2,438
Operating Profit		2,446	(1,957)	489	4,531	(2,811)	1,720
Net interest receivable / (payable)	9			120			875
Profit on ordinary activities before taxation	6			609			2,595
Tax on credit / (charge) on profit on ordinary activities	10			95			(414)
Profit for the financial year				704			2,181

The above results all relate to continuing operations.

Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Profit for the financial year		704	2,181
Other comprehensive income:			
Remeasurements of net defined benefit liability	8	17,802	(3,806)
Income tax on other comprehensive income	10	(1,667)	1,617
Retranslation of non-GBP denominated equity		13	3
Other comprehensive loss for the year, net of tax		16,148	(2,186)
Total comprehensive loss for the year		16,852	(5)

ERIKS Industrial Services Limited

Balance sheet as at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	11	3,561	4,160
Tangible assets	12	<u>16,933</u>	<u>10,457</u>
		<u>20,494</u>	<u>14,617</u>
Current assets			
Stocks	13	18,721	19,231
Debtors amounts falling due within one year	14	105,638	112,833
Debtors amounts falling due after more than one year	14	7,960	9,780
Cash at bank and in hand		25	33
		<u>132,344</u>	<u>141,877</u>
Creditors: amounts falling due within one year	15	<u>(58,663)</u>	<u>(60,199)</u>
Net current assets		<u>73,681</u>	<u>81,678</u>
Total assets less current liabilities		<u>94,175</u>	<u>96,295</u>
Post-employment benefits	8	(27,114)	(46,799)
Provisions for liabilities	16	(3,013)	(2,300)
Net assets		<u>64,048</u>	<u>47,196</u>
Capital and reserves			
Called up share capital	18	7,000	7,000
Revaluation reserve		352	398
Retained earnings		<u>56,696</u>	<u>39,798</u>
Total equity		<u>64,048</u>	<u>47,196</u>

The notes on pages 15 to 27 form part of the financial statements.

The financial statements on pages 12 to 27 were approved by the Board of Directors on 31 May 2022 and were signed on its behalf by:


AMJ Fitchford
Director
31 May 2022

ERIKS Industrial Services Limited
Registered number 03142338

ERIKS Industrial Services Limited

Statement of changes in equity

	Notes	Called-up share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2020		7,000	425	39,776	47,201
Profit for the year		-	-	2,181	2,181
Other comprehensive loss for the year		-	-	(2,186)	(2,186)
Transfer to retained earnings		-	(27)	27	-
Total comprehensive loss for the year		-	(27)	22	(5)
Transactions with shareholders: Dividends		-	-	-	-
Balance at 31 December 2020		7,000	398	39,798	47,196
Balance at 1 January 2021		7,000	398	39,798	47,196
Profit for the year		-	-	704	704
Other comprehensive profit for the year		-	-	16,148	16,148
Transfer to retained earnings		-	(46)	46	-
Total comprehensive income for the year		-	(46)	16,898	16,852
Transactions with shareholders: Dividends		-	-	-	-
Balance at 31 December 2021		7,000	352	56,696	64,048

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021

1 General information

ERIKS Industrial Services Limited provides industrial products and services to its customers through the supply of bearings, power transmission, pneumatic and hydraulic products, seals, gaskets, hoses, valves products, electric motors, gearboxes, pumps and other industrial consumables via its branch network spread across the UK.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Seven Stars Road, Oldbury West Midlands, B69 4JR.

2 Statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated

Basis of Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 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 Strategic Report on pages 1 and 2.

The company meets its day-to-day working capital requirements via its cash pooling arrangements with its fellow ERIKS UK subsidiary companies. As a result, the Company's funding requirements are directly linked to the UK Group's overall financial position. The UK cash pool is headed by the ultimate UK holding company, ERIKS UK Holdings Limited which is financed by a long-term group loan of £7 million arranged with the group's immediate holding company, ERIKS NV with a maturity date of 30 September 2024, an additional on-demand facility of up to £1.5 million with ERIKS NV due on 31 December 2022 and a net overdraft facility with HSBC of £4 million providing a net available cash balance within the cash pool at 31 December 2021 of £27.9 million and at 30 April 2022 of £24.1 million.

The directors have prepared a going concern assessment for the UK companies within the cash pool for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic environment. The base case forecast assumes a small level of growth in sales and profitability over that achieved during 2021. The downside forecasts take the actual results for Q1 2022 and model various scenarios of sales and margin reductions to the base case forecast from Q2 2022 to Q2 2023. The scenarios model turnover reductions reflecting the current economic outlook along with margin reductions reflecting the current input price pressures seen in the market. The company is working with all its trading partners to agree new pricing structures to mitigate the input cost increases experienced. All the scenarios modelled leave the UK companies with sufficient headroom.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Cash flow statement

The Company's ultimate parent undertaking, SHV Holdings NV, includes the Company in its consolidated financial statements. The consolidated financial statements of SHV Holdings NV are prepared in accordance with Dutch Generally Accepted Accounting Principle and are available to the public and may be obtained from its registered office (note 22).

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and as the consolidated financial statements of SHV Holdings NV include the equivalent disclosures, the Company has applied the exemptions available under FRS 102 and has not prepared a cash flow statement.

Foreign currencies

The company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are translated into sterling at the rate of exchange on the day of the

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Foreign currencies (continued)

transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Exchange differences arising from these translations are taken to the profit and loss account.

Revenue recognition

Turnover is measured at the fair value of consideration received or receivable and represents amounts invoiced to customers in respect of the supply of goods and services during the financial year, excluding value added tax. Turnover is recognised at point of despatch of goods or provision of services.

Business combinations and Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given on the acquisition of a business plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair value of the net assets acquired.

Goodwill is amortised over its expected useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years based on the discounted cash flows of the cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Impairments are provided for where it is believed the assets concerned have been subject to an impairment event and that their carrying value is above the higher of their net realisable values and values in use. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents	10 years
Software	3 - 7 years

Tangible fixed assets

Tangible assets are stated at cost, or deemed cost, less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and impairment losses. Freehold land is not depreciated.

The company previously adopted a policy of revaluing freehold and long leasehold land and buildings and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The company has adopted the transition exemption under FRS 102 paragraph 35.10(d) and has elected to use the previous revaluation as deemed cost.

The difference between the depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost is transferred from the revaluation reserve to retained earnings.

Plant, equipment and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided using the straight-line method on the cost or deemed cost of tangible fixed assets, to write them down to their estimated residual values over their expected lives. The principal annual rates used are:

Freehold buildings and leases of over 50 years	-	2 - 4% on valuation
Leases of under 50 years	-	Over term of lease
Plant, equipment and vehicles	-	10% - 33% on cost

Provision is made for any impairment in the period in which it arises.

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries and associates are carried at cost less impairment.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Cost is determined on a first in, first out (FIFO) basis. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

At the end of each reporting period stocks are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less any additional selling costs and an impairment charge is recognised in the profit and loss account.

Where a reversal of the impairment is recognised, the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Impairment excluding stocks, and deferred tax assets (continued)

Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

The company makes provision for its best estimate of the cost of reinstating its leased properties to their original condition as required under the terms of the individual leases.

The company provides for future lease obligations on vacant properties, either to the end of the lease or for such period as the company believes the property will remain vacant. If a property has been sub-let to a third party, provision is only made for any excess of rental obligations over rental income.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Interest payable and receivable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements.

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 to pay less tax in the future have occurred at the balance sheet date

Deferred tax assets are recognised to the extent that they are regarded recoverable and that there will be suitable taxable profits from which the future reversal can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

Employee Benefits

The company operates an auto enrolment compliant defined contribution pension scheme. The assets of this scheme are invested and managed independently of the finances of the company. Contributions to the scheme have been charged to the profit and loss account in the year of payment.

The company is also the principal member of the WYKO Group Retirement Benefit Scheme which is a defined benefit scheme and which is valued triennially by an independent actuary using the Projected Unit

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Employee Benefits (continued)

Method of valuation. The plan defines the pension benefit that the member will receive on retirement, dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the WYKO Group Retirement benefit Scheme is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets at that date.

In accordance with FRS 102, current and past service costs, adjusted for settlements and curtailments, are charged to the profit and loss account as employee costs.

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

Actuarial gains and losses arising from experience adjustments are charged or credited to other comprehensive income and are disclosed as 'Remeasurement of net defined benefit liability'.

Dividends

Dividends are recognised as a liability in the financial year in which they are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Government Grants

Government grants receivable are recognised using the accruals model where all obligations of the grant have been fulfilled at the balance sheet date. During 2021 the company recognised grants received and receivable under the government's Job Retention Scheme totalling £153,000 (2020: £2,438,000 (Note 7)). These receipts are included in the profit & loss account as Other operating income.

4 Critical accounting judgements and estimation uncertainty

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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are summarised below.

Useful economic lives of tangible and intangible assets

The annual depreciation/amortisation charges for tangible and intangible assets is sensitive to changes in the estimated useful economic life of the assets. The useful economic lives and residual values are re-assessed annually and are amended where necessary to reflect current estimates. See notes 11 and 12 for the carrying amount of the intangible and tangible fixed assets.

Inventory provisioning

The company stocks a large range of core products and undertakes regular reviews of the recoverability of the cost of inventory and the associated provisioning required. In calculating the inventory provision management considers the nature, age and condition of the inventory as well as applying assumptions around anticipated saleability of the items. See note 14 for the net carrying amount of inventory and associated provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors, historical experience, the current credit rating of debtors and coverage under the company's trade credit insurance policy. See note 14 for the net carrying amount of the debtors and associated impairment provision.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain current and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, in conjunction with its professional pension advisors, in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 8 for the disclosures relating to the defined benefit pension scheme.

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (*continued*)

5 Turnover

All turnover has been generated from the company's activities as a provider of industrial services.

	2021	2020
	£000	£000
Analysis by geographical market:		
United Kingdom	252,420	240,095
Europe	7,586	6,022
Africa and the Middle East	1,394	1,307
Americas	1,661	1,764
Asia and Oceania	2,944	1,809
Total turnover	266,005	250,997
The turnover originated in the following countries:		
United Kingdom	266,005	250,714
Poland	-	283
	266,005	250,997

6 Expenses and auditor's remuneration

	2021	2020
	£000	£000
<i>Included in profit or loss are the following:</i>		
Staff costs - Note 7	60,324	57,996
Depreciation of owned tangible fixed assets - Note 12	1,630	1,596
Amortisation of intangible fixed assets - Note 11	1,145	1,114
Loss on disposal of tangible fixed assets	-	17
Impairment of trade receivables	23	158
Impairment of inventory (included in 'Cost of Sales')	733	1,037
Operating lease charges	8,821	7,800
Exceptional operating costs:		
Write-off of fixed assets following location closures	451	-
Redundancy and payments in lieu of notice	1,506	2,811
	1,957	2,811
<i>Amounts receivable by the company's auditor in respect of:</i>		
Audit of financial statement	106	112
Taxation compliance services	-	-

7 Directors and employees

	2021	2020
	Number	Number
The average number of persons (including directors) employed by the company during the year was:		
Sales, marketing and purchasing	680	733
Production	315	345
Logistics	242	251
Administration	256	244
Industrial Services	1,493	1,573
Their aggregate payroll costs were:	£000	£000
Wages and salaries	50,482	49,974
Social security costs	5,509	5,368
Other pension costs – defined benefit scheme	1,086	1,447
– defined contribution schemes	3,400	3,645
	60,477	60,434
Job Retention Scheme grants received (shown as Other Operating Income in the P&L on page 12)	(153)	(2,438)
	60,324	57,996
Directors' remuneration:		
	2021	2020
	£000	£000
Salaries and other benefits (excluding pension contributions)	316	303
Highest paid director:		
Aggregate emoluments excluding pension contributions	174	163

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

7 Directors and employees (continued)

Two directors received emoluments from the company during the year (2020: two).

None of the directors were members of the WYKO Group Retirement Benefit Scheme, a defined benefit pension scheme (2020: none). The total pension contributions paid on behalf of the directors was £26,000 (2020: £25,000), of which nil was paid to the defined benefit pension scheme (2020: nil).

8 Post-employment benefits

The company has operated an auto enrolment compliant defined contribution pension scheme during the year. The company also operated one UK defined benefit scheme; the WYKO Group Retirement Benefit Scheme (the WYKO Scheme). The scheme provides benefits based on salary history and length of service on retirement, leaving service or death. The disclosures below relate solely to the WYKO Scheme. Contributions to the defined contribution scheme are charged to the profit and loss account in the year of payment.

The WYKO Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the company must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits.

A formal actuarial valuation of the WYKO Scheme as at 30 April 2021 is currently in progress (with a statutory deadline of 31 July 2022) and the next valuation is due at 30 April 2024. In the event that the finalised valuation reveals a larger deficit than expected, the Company may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected, it is possible that contributions may be reduced.

Under the Schedule of Contributions agreed as part of the 2018 actuarial valuation the Company has committed to pay contributions of 16.5% for future accrual (before salary sacrifice), scheme expenses directly as incurred (including Pension Protection Fund levies and any insurance premiums) and deficit contributions of approximately £2.7 million p.a. increasing in line with inflation to May 2028. The Company expects to pay contributions of £3.08 million in the year to 31 December 2022 under the current Schedule of Contributions.

The WYKO Scheme is managed by a board of Trustees appointed in part by the Company and part from elections by Scheme members, along with an independent professional Trustee. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

There were no plan amendments, curtailments or settlements during the period.

The main assumptions used to calculate the scheme's liabilities include:

	2021	2020
Discount rate	2.00 %p.a.	1.40 %p.a.
RPI Inflation assumption	3.20 %p.a.	2.80 %p.a.
CPI Inflation assumption	2.40 %p.a.	2.00 %p.a.
Pension increase (RPI max 5%)	3.10 %p.a.	2.70 %p.a.
Post-retirement mortality assumption	110 % of S3PMA/S3PFA CMI 2020	105 % of S2NA CMI 2019
Proportion of members electing to take cash at retirement	85 %	85 %

Salaries are assumed to increase in line with the RPI.

Under the mortality tables adopted, the assumed future life expectancy at age 65 is as follows:

Life expectancy at age 65 of:	2021	2020
Males currently aged 45	22.5	22.8
Females currently aged 45	21.2	25.1
Males currently aged 65	26.1	21.5
Females currently aged 65	24.7	23.6

Amounts recognised in the Balance Sheet

	2021	2020
	£000	£000
Fair value of assets	147,527	143,925
Present value of funded obligations	(174,641)	(190,724)
Deficit in Scheme prior to deferred taxation	(27,114)	(46,799)

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8 Post-employment benefits (continued)

Amounts recognised in the Profit and Loss Account

	2021	2020
	£000	£000
Current service cost	(1,086)	(1,077)
Past service costs	-	(370)
Settlements and curtailments	-	-
Operating costs	<u>(1086)</u>	<u>(1,447)</u>
Interest on assets	1,999	2,735
Interest on liabilities	<u>(2,629)</u>	<u>(3,628)</u>
Other finance charges	<u>(630)</u>	<u>(893)</u>
Total charge	<u>(1,716)</u>	<u>(2,340)</u>

Remeasurements over the year

	2021	2020
	£000	£000
Gain on scheme assets in excess of interest	3,879	13,157
Experience gain on liabilities	6,408	1,933
Loss from changes to demographic assumptions	(2,838)	(724)
Gain / (loss) from changes to financial assumptions	<u>10,353</u>	<u>(18,172)</u>
Total remeasurements	<u>17,802</u>	<u>(3,806)</u>

Reconciliation of assets and defined benefit obligation

The change in assets and the defined benefit obligation over the financial year was:

	Assets	Liabilities	Total
	£000	£000	£000
Fair value at 1 January 2021	143,925	(190,724)	(46,799)
Interest on assets / (liabilities)	1,999	(2,629)	(630)
Employer contributions	3,599	-	3,599
Current service cost	-	(1,086)	(1,086)
Past service cost	-	-	-
Contributions by Scheme participants	51	(51)	-
Benefits paid	(5,926)	5,926	-
Return on plan assets less interest	3,879	-	3,879
Experience gain on liabilities	-	6,408	6,408
Changes to demographic assumptions	-	(2,838)	(2,838)
Changes to financial assumptions	-	10,353	10,353
Fair value at 31 December 2021	<u>147,527</u>	<u>(174,641)</u>	<u>(27,114)</u>

Assets

The major categories of assets as a percentage of total assets are as follows:

	2021	2020
Gilts / LDI	29%	26%
Cash	4%	9%
Other Assets (Diversified Growth Funds)	<u>67%</u>	<u>65%</u>
Actual return on plan assets during the period	<u>4%</u>	<u>12%</u>

The assets do not include any investment in shares of the company.

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8 Post-employment benefits (continued)

Sensitivity of the value placed on the liabilities

Adjustments to financial assumptions	Approximate effect on liabilities	
	2021 £000	2020 £000
Discount rate		
Plus 0.1%	(3,070)	(3,680)
Minus 0.1%	3,151	3,780
Inflation		
Plus 0.1%	1,996	2,550
Minus 0.1%	(1,974)	(2,530)
Discount rate plus 0.1% and inflation minus 0.1%	(4,977)	(5,878)

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain unchanged.

9 Net interest receivable / (payable)

	2021 £000	2020 £000
Interest payable and similar charges		
Interest on loans from ultimate UK parent company	(5,405)	(4,277)
Net interest expense on net defined benefit pension liabilities (Note 8)	(630)	(893)
Exchange differences on currency denominated loans and bank balances	(440)	-
Total interest payable and similar charges	(6,475)	(5,170)
Interest receivable and similar income		
Interest on loans to ultimate UK parent company	6,531	5,556
Exchange differences on currency denominated loans and bank balances	-	389
Gains on derivative financial instruments	2	93
Other interest received	62	7
Total interest receivable and similar income	6,595	6,045
Net interest receivable / (payable)	120	875

10 Tax credit / (charge) on profit on ordinary activities

Tax expenses included in profit and loss

	2021 £000	2020 £000
UK corporation tax at 19.00% (2020: 19.00%)	243	(200)
Adjustments to tax in respect of previous years	33	35
Current tax credit / (charge)	276	(165)
Deferred taxation (note 16):		
Origination and reversal of timing differences	(181)	(249)
Tax credit / (charge) on profit on ordinary activities	95	(414)

Tax income / (expense) included in other comprehensive income

	2021 £000	2020 £000
Current tax	-	-
Deferred tax	(1,667)	1,617
Tax (charge) / credit included in other comprehensive income	(1,667)	1,617

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

10 Tax on profit on ordinary activities (continued)

Reconciliation of tax charge

The current tax charge is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).

The factors affecting the tax charge for the year are as follows:

	2021 £000	2020 £000
Profit on ordinary activities before taxation	609	2,595
Profit on ordinary activities at the standard rate of corporation tax at 19.00% (2020: 19.00%)	(116)	(493)
Effects of:		
Expenses not deductible for tax purposes	(37)	(224)
Transfer pricing adjustments	95	216
Adjustments in respect of previous years	105	3
Tax rate changes	48	84
Tax credit / (charge) for the year	95	(414)

On 5 March 2021 it was announced that rate of UK Corporation would rise to 25 % from 1 April 2023. This rate increase was substantively enacted on 24 May 2021. The effect this change would have on deferred tax balances is shown in note 16.

11 Intangible fixed assets

	Software £000	Patents £000	Goodwill £000	Total £000
Cost:				
At 1 January 2021	5,502	20	5,488	11,010
Additions	546	-	-	546
At 31 December 2021	6,048	20	5,488	11,556
Amortisation:				
At 1 January 2021	4,395	11	2,444	6,850
Charge for the year	871	2	272	1,145
At 31 December 2021	5,266	13	2,716	7,995
Net book value:				
At 31 December 2021	782	7	2,772	3,561
At 31 December 2020	1,107	9	3,044	4,160

12 Tangible assets

	Freehold land and buildings £000	Leases of 50 years and over £000	Leases of under 50 years £000	Plant, equipment & vehicles £000	Total £000
Cost or valuation					
At 1 January 2021	2,315	583	646	42,746	46,290
Additions	-	-	42	8,515	8,557
Disposals	-	-	-	(1,674)	(1,674)
At 31 December 2021	2,315	583	688	49,587	53,173
Accumulated Depreciation					
At 1 January 2021	474	131	292	34,936	35,833
Charge for the year	30	39	34	1,527	1,630
Disposals	-	-	-	(1,223)	(1,223)
At 31 December 2021	504	170	326	35,240	36,240
Net book value					
At 31 December 2021	1,811	413	362	14,347	16,933
At 31 December 2020	1,841	452	354	7,810	10,457

Freehold land and buildings includes non-depreciable land with a cost of £1,005,000 (2020: £1,005,000).

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

13 Stocks

	2021 £000	2020 £000
Raw materials and consumables	-	985
Work in progress	1,994	2,443
Finished goods and goods for resale	16,727	15,803
	<u>18,721</u>	<u>19,231</u>

There is no significant difference between the replacement cost of stocks and their carrying amounts. Stocks are stated after provisions for impairment of £5,687,000 (2020: £5,677,000).

14 Debtors

	2021 £000	2020 £000
Amounts falling due within one year:		
Derivative financial instruments – note 17	2	-
Trade debtors	60,706	57,187
Loans to ultimate UK parent company	39,751	51,082
Amounts owed by fellow subsidiary undertakings	924	648
Corporation tax recoverable	370	94
Other debtors	2,013	1,891
Prepayments and accrued income	1,872	1,931
	<u>105,638</u>	<u>112,833</u>
Amounts falling due after more than one year:		
Deferred taxation (note 16)	7,960	9,780
Total debtors	<u>113,598</u>	<u>122,613</u>

The loans to the company's ultimate UK parent company are unsecured, have no fixed date of repayment, are repayable on demand and bear interest at a current average of 2.58% (2020:2.91%) per annum payable quarterly in arrears. Amounts owed by fellow subsidiary undertakings are unsecured, interest free and are repayable on demand. Trade debtors are stated after provisions for impairment of £627,000 (2020: £630,000).

15 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Derivative financial instruments – note 17	-	-
Trade creditors	35,775	35,577
Amounts owed to ultimate UK parent company	35	871
Amounts owed to fellow subsidiaries	9,857	9,552
Corporation tax	-	205
Other taxation and social security	5,631	9,160
Other creditors	984	1,101
Accruals and deferred income	6,381	3,733
	<u>58,663</u>	<u>60,199</u>

The company has no external borrowing facilities. All financing is arranged by the ERIKS Group Treasury department and is provided to the company by its ultimate UK parent company, ERIKS UK Holdings Ltd. The amounts owed to the company's immediate parent company and to fellow subsidiaries are interest free, unsecured and are repayable on demand.

16 Provisions for liabilities

	Property provisions £000	Deferred tax £000	Total £000
At 1 January 2021	(2,201)	(99)	(2,300)
Transfer from debtors	-	9,780	9,780
Utilised in the year	528	-	528
Unwinding of discount	35	-	35
Additions dealt with in the profit and loss account	(1,248)	(181)	(1,429)
Changes dealt with in other comprehensive income	-	(1,667)	(1,667)
	<u>(2,886)</u>	<u>7,833</u>	<u>4,947</u>
Transfer to debtors (note 15)	-	(7,960)	(7,960)
At 31 December 2021	<u>(2,886)</u>	<u>(127)</u>	<u>(3,013)</u>

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

16 Provisions for liabilities (continued)

The property provisions represent the directors' assessment of the company's liability for leasehold dilapidations and the anticipated future costs to be incurred over the remaining lease terms of vacant properties.

Full provision has been made for deferred taxation at 25% (2020: 19%) in respect of:

	2021 £000	2020 £000
Accelerated capital allowances in advance of depreciation	924	591
Revalued fixed assets	(117)	(99)
Other timing differences	247	297
Post-employment benefits (note 8)	6,779	8,892
	<u>7,833</u>	<u>9,681</u>

Deferred tax assets arising from accelerated capital allowances and short-term timing differences have been fully recognised at 31 December 2021 and 2020 as the Directors believe there will be sufficient profits generated in future years for utilisation of these tax balances. An unrecognised deferred tax asset of £49,000 calculated at 25% (2020: £37,000 at 19%) in respect of accumulated trade losses has not been recognised as it is not clear when the losses will be utilised

17 Financial Instruments

Derivative financial instruments

The company enters into forward currency contracts to mitigate the exchange risk for certain foreign currency balances within the UK company. At 31 December 2021, the maturing contracts all mature within 6 months (2020: 6 months) of the year end. The company is committed to buy € 1,400,000 (2020: €nil) and \$ 950,000 (2020: \$ nil) and to pay fixed amounts of sterling.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The company has no interest rate derivative financial instruments (2020: none)

The company has the following financial instruments:

	Notes	2021 £000	2020 £000
Financial assets valued through profit or loss			
- Derivative financial instruments	14	<u>2</u>	<u>-</u>
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	14	60,706	57,187
- Loans to ultimate UK parent company	14	39,751	51,082
- Amounts owed by fellow subsidiary undertakings	14	924	648
- Other receivables	14	2,013	1,891
		<u>103,394</u>	<u>110,808</u>
Financial liabilities measured at fair value through profit or loss		<u>-</u>	<u>-</u>
Financial liabilities measured at amortised cost			
- Trade creditors	15	35,775	35,557
- Amounts owed to ultimate UK parent company	15	35	871
- Amounts owed to fellow subsidiary undertakings	15	9,857	9,552
- Other creditors	15	984	1,101
		<u>46,651</u>	<u>47,081</u>

18 Called up share capital

£000

Allotted and fully paid

At 31 December 2020 and 31 December 2021:

7,000,000 ordinary shares of £1 each

7,000

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

ERIKS Industrial Services Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

19 Contingent Liabilities

	2021	2020
	£000	£000
Performance bonds and guarantees	<u>150</u>	<u>150</u>
	150	150

20 Capital and other commitments

The company had the following capital commitments at 31 December for which no provision has been made:

	2021	2020
	£000	£000
Future capital expenditure – Property, plant & equipment	<u>1,001</u>	<u>1,052</u>

The company had the following future minimum lease payments under non-cancellable operating leases, in respect of property and motor vehicles, for each of the following periods:

	2021	2020
	£000	£000
within one year	4,821	4,767
between two and five years	11,064	11,384
after five years	<u>10,908</u>	<u>13,659</u>
	26,793	29,810

The company had no other off-balance sheet arrangements.

21 Related parties

The company has taken advantage of the exemption, allowed by paragraph 33.1A of FRS 102, not to disclose transactions and balances with related party undertakings which are wholly owned by the SHV Group.

22 Ultimate parent company and controlling party

The company's immediate parent company is WYKO Group Limited, a company registered in England and Wales.

The ultimate parent company and controlling party is SHV Holdings N.V. a company registered in The Netherlands.

The largest group in which the results of the Company are consolidated is that headed by SHV Holdings N.V.

Copies of the financial statements of SHV Holdings N.V. may be obtained from the company at the following address:

SHV Holdings N.V.
Rijnkade 1
3511 LC Utrecht
The Netherlands

The smallest group in which they are consolidated is that headed by ERIKS N.V, incorporated in The Netherlands.

Copies of the financial statements of ERIKS N.V. may be obtained from the company at the following address:

ERIKS N.V
P.O. Box 19108
3501 DC Utrecht
The Netherlands.