

SOGEFI FILTRATION LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022



REPORT AND FINANCIAL STATEMENTS 2022

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Grange
S Jamgotchian
D James

SECRETARY

S Zhang

REGISTERED OFFICE

Crown Business Park
Tredegar
Gwent
NP22 4EF

BANKERS

Barclays Bank plc
Corporate Banking Centre
PO Box 1015
3 Windsor Place
Cardiff
CF10 3ZL

SOLICITORS

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT

AUDITOR

A.C.T Audit Limited
48 Dover Street
London
W1S4FF

DIRECTORS' REPORT

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

DIVIDENDS

No dividends in respect of the year ended 31 December 2022 were paid or declared in the year (2021 - £nil).

DIRECTORS

Darryl James
Julien Grange
Sonia Jamgotchian

DISABLED PERSONS

Applications for employment by disabled persons are fully and fairly considered, bearing in mind the aptitudes and abilities of the person concerned. In the event of employees becoming disabled every reasonable effort is made to ensure their employment with the company continues and that appropriate training is arranged. It is the policy of the company that disabled persons should, as far as possible, have training, career development and promotion comparable with those who do not suffer from disabilities.

EMPLOYEE INVOLVEMENT

In order to keep employees informed and to achieve a common awareness of the financial and economic factors affecting performance, regular meetings are held with employee representatives. Regular newsletters are produced together with an employee annual report for those parts of the company in which they are employed. Account is taken of the views of employees in any decision-making which is likely to affect their interests. In addition, small teams of employees are involved in the detail of problem-solving and in the search for improvements in safety, quality and performance. This is supported by the Sogefi group initiative for continuous improvement using the Kaizen principles.

FRS 102

These financial statements have been prepared by the company under "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and A.C.T. Audit will therefore continue in office.

In the case of the directors who held office at the date when this report is approved:

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

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

APPROVAL OF REDUCED DISCLOSURES

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

DIRECTORS' REPORT (continued)

POLITICAL DONATIONS

The company did not make any political donations during the year (2021: none).

OTHER MATTERS

Likely future developments, activities relating to Research & Development and the Company's Financial Instruments Risk, Policy and Exposure can be found in the Strategic Report.

The Directors have had regard to suppliers, customers and other business relationships as outlined in the Section 172 statement.

Approved and signed by the Directors

A handwritten signature in black ink, appearing to be 'D James', written over a horizontal line.

D James
Director

Date 13/04/2023

Crown Business Park
Tredegar
Gwent
NP22 4EF

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

Sogefi Filtration Limited is engaged in the manufacture and sale of automotive filtration equipment.

FUTURE STRATEGY AND DEVELOPMENT

The company's strategy is to secure new and profitable business in filtration and Air and cooling industry, with both existing and new customers which will be achieved by utilising all resources available to continue to develop new products. The strategy of growth will be achieved in a controlled manner, always considering the impact on cash flow and operating expenses. The directors are confident of long-term success in meeting the company's objectives.

During 2022, the company were continue affected by the global commodity price increase, on top of that, the multifold energy cost increase in whole of Europe, and living-cost crisis in UK had made the product margin squeezed to the lowest point. Several price negotiations were initiated to pass-on the incremental cost to achieve sufficient margin for the company to survive in this hash economic environment. As result, new prices with our major customers have been achieved in 2022. In additional, UK Government launched "Energy Price Guarantee" for period of Oct 22 to March 23, which capped the energy cost increase. The company will carry on using our group purchase power to reduce the raw material price increase impact also keeps its sales price close to procurement arrangements, in order to be a strong and sustainable link in the automotive supply chain business.

In regarding COVID-19 workplace safety, all necessary measures and implemented protocols in line with Government and Group company guidelines are continue to provide employees and our business partners a safe environment on site.

BUSINESS PERFORMANCE

The results of the company are set out on page 13. Turnover in 2022 was £42,078,000 (2020 - £40,712,000), the demand on OE passenger vehicle product line were still largely affected by the global shortage of semi-conductors. On the contrary, the demand on HGV (heavy goods vehicles) increased during 2021 as result of lock down easing and increasing activities of logistic industrial post the pandemic and this continue to 2022.

The company achieved an operating profit of £4,233,000 (2021 - £3,148,000). Overall, the company achieved a profit for the financial year of £3,413,000 (2021 - £2,040,000). During the year, company faced increasing cost of material, energy and labour cost, some of the cost increases had been passed on to customers since middle of 2022 and some in house cost reduction projects also contributed to keeping the business sustainable for the year.

The company has defined benefit pension schemes. The overall pension deficit is £4,746,000 (2021, £9,683,000), as set out in Note 19. The reduction in the deficit is largely driven by actuarial gains driven by changes to pension assumptions used.

RESEARCH AND DEVELOPMENT

The company continues to undertake research and development to enhance its market position and such investment is regarded as an integral part of the continuing strength of the business. During the year, the company incurred research costs of £36,000 (2021 - £82,000) and £22,000 was capitalised (2021 - nil) of development costs.

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Relevant KPIs are set out below:

	2022	2021
Turnover (£m)	42.1	40.7
Other Income (£m)	0.0	2.2
Operating profit (£m)	4.2	3.1
EBITDA* (£m)	5.8	5.1
Net current assets (£m)	27.7	24.2
Operating profit/turnover (%)	10%	7.7%
Operating profit/per employee (£'000)	25.5	16.48
Turnover increase/(decrease) (%)	3.4%	2%

*The calculation of EBITDA is Operating Profit, adding the entire amount of depreciation and amortisation, irrespective of where, and by what method it is recorded in the Profit and Loss Account.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and execution of strategy are subject to several risks. Key business risks principally relate to market competition, both from a national and international perspective, and the retention of suitably qualified employees. Business risks are reviewed regularly by the directors and appropriate processes are put in place to monitor and mitigate their impact. Supply chain risks are mitigated by the increasing use of a centralised group procurement strategy.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange risk, price risk, credit risk, liquidity risk and interest rate risk.

The company has in place an informal risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance where applicable and the related finance costs. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the director are implemented by the company's finance department.

Foreign exchange risk

The company's activities expose it to several financial risks of changes in foreign currencies, particularly with respect to the Euro. If the need arises to mitigate these risks, the group's treasury function uses foreign exchange forward contracts to hedge these exposures.

Price risk

The company is exposed to commodity price risk as a result of its operations. UK inflation raised to decades high in 2022, the company is facing more challenges this year. The company wishes to position itself as long term and sustainable business partners with our suppliers and customers, therefore the company utilise more on group buying power to mitigate material price increase risk, also actively share information with customer to pass-on some of the cost. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is continually monitored in line with the company's credit control procedures. Credit risk insurance has been evaluated by the directors and is not deemed cost-effective in the current business climate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

STRATEGIC REPORT

Liquidity risk

The company is a subsidiary in the Sogefi SpA group and can draw on intra-group credit lines if required to ensure it has sufficient available funds for operations.

Interest rate cash flow risk

The company has interest-bearing assets. Interest-bearing assets include only cash balances, all of which earn interest at variable rates.

Going concern

The financial statements have been prepared on a going concern basis as the directors consider this to be appropriate

There is no external financing in place or required as the Company meets its day-to-day working capital requirements by using existing cash and working capital balances. This includes a net receivable balance of £17,610,000 under the group's cash pooling arrangements.

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.

STRATEGIC REPORT

SECTION 172 STATEMENT

The board of directors of Sogefi Filtration Ltd, consider both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole having regards to the stakeholders and members set out in s172(1)(a-f) of the Act in the decisions taken during the year ended 31 December 2022.

Sogefi Filtration Limited's mission is to provide innovative solutions to our customers creating value for all stakeholders and generating sustainable growth. Sogefi believes it will deliver its mission by being goal oriented, being efficient in everything we do, maintaining integrity and treating people with respect.

Board composition:

A team of industrial experienced executive Directors (3) has been established, with one Director based in UK and two Directors from group company, to ensure the support to the company's strategic growth.

Business Relationships

Our strategy is built on the principle of putting the customer first and providing an exceptional customer experience, we focus on continuous improvement and quality in everything we do. In order to do this, we need to develop and maintain strong client relationships, we value all of our suppliers and look to deal fairly and responsibly, developing strong long-term relationships with them.

Our People

The health and safety and wellbeing of our employees is one of the prime considerations in the way we do business. The company follows a policy of consultation and discussion with its employees through union and staff consultation. Information on performance and prospects are disseminated through information bulletins and meetings. The company understands the value of employee engagement and empowerment and takes every opportunity to promote this.

Community & Environment

Sogefi considers respect for the environment as a core value for the company. The same is true of respect for its employees, its customers and the local communities in which it operates. The company follows its group's (Sogefi S.p.A.) approved Environmental Policy, which sets out the guiding principles that all subsidiaries must adopt and observe. Under this policy, the company pursues clear strategic goals, taking into account available resources and technologies, in order to progressively improve its environmental performance.

Risk Management

Consideration of risks is an integral part of how Sogefi operates on a daily basis, all operations are reviewed for key risks and opportunities. The board of directors formally monitors risk and evaluates and manages them.

Shareholder

As a board of directors, our intention is to behave responsibly and have an open and honest relationship with our shareholder, so they may benefit from the success of the company.

STRATEGIC REPORT

Streamlined Energy and Carbon Reporting:

The company’s principal business activities include making combustion engine Filtration and Air and Cooling products for the automotive and industrial sectors. To achieve environmental responsibilities throughout our business operations, we continually consider the impact of the business activities on the wider environment and look at ways to improve energy savings and reduce the company’s carbon footprint.

The business operates on one site. The site needs to be well lit to ensure a safe operating environment for our employees, we also use heat for some parts of our production process. Therefore, electricity and gas are the main drivers of the company’s carbon emissions.

In the year, the following energy efficiency actions were taken:

- Shut-down protocol for all non-operational machines.
- Air Leak Detection system every six months.
- Insulation of Injection moulding machine screw and barrels.
- Investment in Hotmelt delivery system, three out of five machines had been replaced.
- Shop floor LED lighting with motion sensors in Warehouse areas to reduce electricity consumptions.
- LED lighting with PIR for all office area and outside flood lighting.
- Carpark lighting replacement for LED.
- Inkjet printer upgrade.

The following projects have aimed at reducing our business carbon footprint are being considered:

- Wind power and solar panels.
- Investment in Hotmelt delivery system, to replace one out of the remaining two.

The company continues to monitor its energy usage and efficiency improvements where feasible, whilst maintaining a safe environment for our colleagues to work in.

Energy and carbon reporting:

	FY 2022	FY 2021
UK energy use (kWh) – see (1)	6,189,895	6,443,483
Associated Greenhouse gas emissions (tonnes CO2 equivalent) - see (2)	1,210	1,343
Intensity Ratio: Tonnes of CO2 per total £m sales revenue	28.75	33.00

(1) UK energy use covers electricity, gas and transport as follows:

Electric usage	Total kWh used from electricity bills
Natural gas usage	Total kWh used from gas bills

(2) The collected data is converted into greenhouse gas emissions associated with each activity, using the Government conversion factors for company reporting of greenhouse gas emissions (Data x Emission Factor = Greenhouse gas emissions).

Approved and signed by the Directors



D James
 Director
 Date 13/04/2022

Crown Business Park
 Tredegar, Gwent
 NP22 4EF

DIRECTOR'S RESPONSIBILITIES STATEMENT IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations and in accordance with United Kingdom Generally Accepted Accounting Practice.

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 United Kingdom Generally Accepted Accounting Practice (FRS 102).

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
-

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



D James
Director
Date 13/04/2022

Crown Business Park
Tredegar, Gwent
NP22 4EF

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOGEFI FILTRATION LIMITED

Opinion

We have audited the financial statements of Sogefi Filtration Limited (the 'company') for the year ended 31 December 2022 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on Which We Are Required to Report by Exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with the director and other management, and from our commercial knowledge and experience of the automotive sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental (including Waste Electrical and Electronic Equipment recycling (WEEE) Regulations 2013) and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their

- knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the director and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use Of Our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters that 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

ACT AUDIT LIMITED

Mr Francesco Lepri (Senior Statutory Auditor)
for and on behalf of ACT Audit Limited
Chartered Accountants and Statutory Auditors
48 Dover Street
Mayfair, London
W1S 4FF

Date: **13th April 2023**
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PROFIT AND LOSS ACCOUNT
Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
TURNOVER	3	42,078	40,712
Cost of sales		<u>(32,780)</u>	<u>(34,316)</u>
GROSS PROFIT		9,298	6,396
Other operating income	4	0	2,189
Total net operating expenses	5	<u>(5,065)</u>	<u>(5,437)</u>
OPERATING PROFIT		4,233	3,148
Interest receivable and similar income	8	310	3
Interest payable and similar expenses	9	<u>(236)</u>	<u>(426)</u>
PROFIT BEFORE TAXATION	10	4,307	2,725
Tax on profit	11	<u>(894)</u>	<u>(685)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>3,413</u></u>	<u><u>2,040</u></u>

The results for both the current and prior year were all derived from the continuing operations of the company.

STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Profit for the financial year		3,413	2,040
Re-measurement of net defined benefit liability	19	3,508	13,621
Movement on deferred tax in relation to pension deficit	17	<u>(639)</u>	<u>(2,018)</u>
Total comprehensive income/(loss) for the financial year		<u><u>6,282</u></u>	<u><u>13,643</u></u>

BALANCE SHEET
As at 31 December 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	12	21	193
Tangible assets	13	4,014	4,881
		<u>4,035</u>	<u>5,074</u>
CURRENT ASSETS			
Pension asset	19	5,369	4,376
Stocks	14	3,670	2,979
Debtors			
- amounts falling due within one year	15	28,925	24,160
- amounts falling due after more than one year	15	1,210	2,276
Cash at bank and in hand		1,458	1,186
		<u>40,632</u>	<u>34,977</u>
CREDITORS: amounts falling due within one year	16	(12,887)	(10,754)
		<u>27,745</u>	<u>24,223</u>
NET CURRENT ASSETS			
		<u>31,780</u>	<u>29,297</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
Provisions for liabilities	18	(642)	(497)
Pension liability	19	(10,115)	(14,059)
NET ASSETS		<u>21,023</u>	<u>14,741</u>
CAPITAL AND RESERVES			
Called up share capital	20	5,127	5,127
Share premium account	21	2,000	2,000
Profit and loss account	21	13,896	7,614
SHAREHOLDERS FUNDS		<u>21,023</u>	<u>14,741</u>

The financial statements of Sogefi Filtration Limited, registered number 00693949, were approved and signed by the Directors and authorised for issue on 13/04/2022.



D James
 Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2021	5,127	2,000	(6,029)	1,098
Profit for the year	-	-	2,040	2,040
Other comprehensive income: Re-measurement of pension schemes	-	-	13,621	13,621
Movement on deferred tax in relation to pension deficit	-	-	(2,018)	(2,018)
Balance at 31 December 2021	<u>5,127</u>	<u>2,000</u>	<u>7,614</u>	<u>14,741</u>
Profit for the period	-	-	3,413	3,413
Other comprehensive income: Re-measurement of pension schemes	-	-	3,508	3,508
Movement on deferred tax in relation to pension deficit	-	-	(639)	(639)
Balance at 31 December 2022	<u>5,127</u>	<u>2,000</u>	<u>13,896</u>	<u>21,023</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1. ACCOUNTING POLICIES

Sogefi Filtration Limited is a private limited company incorporated, registered in England and Wales. The address of the registered office is Unit 1 Crown Business Park, Tredegar, Gwent, NP22 4EF.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”). The financial statements of Sogefi Filtration Limited are prepared in Sterling, which is the functional currency of the company, and rounded to the nearest thousand pounds.

Exemptions

The company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation; and
- the exemption from disclosing certain related party transactions.

The company has taken advantage of the following exemption available under FRS 102 as equivalent disclosures have been given in the consolidated financial statements of Sogefi SpA which include the results of Sogefi Filtration Limited:

- the exemption from certain financial instrument disclosures.

Copies of the consolidated financial statements of Sogefi SpA can be obtained from the registered office of Sogefi SpA, Via Ciovassino 1/a 20121, Italy, or from the company’s website at www.sogefi.com.

The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Going concern

As at 31 December 2022, the company had net current assets of £27,745,000, net assets of £21,023,000 and reported a profit for the year then ended of £3,413,000.

There is no external financing in place or required as the Company meets its day-to-day working capital requirements by using existing cash and working capital balances. This includes a net receivable balance of £17,610,000 under the group’s cash pooling arrangements. The company is cash generative, and forecasts indicate that even in the severe but plausible downside scenario outlined above, the Company would continue to generate positive cash flows over the going concern period.

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.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer base on incoterms as per individual contract.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Provision for depreciation is made to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The principal useful economic lives used for this purpose are:

Leasehold Building & Improvement	20 years or Lease term whichever is lower
Plant and machinery	3-10 years
Fixtures and fittings	5-20 years

Assets under construction are not depreciated until they are in the condition and location ready for use at which point they are transferred to one of the above categories.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets

Intangible fixed assets are stated at cost. Development costs for products which have a commercial application are capitalised and amortised on a straight-line basis over the expected useful life of the asset, the principal useful life of Intangible fixed assets are 4 years.

Research

Expenditure on product research is written off to the profit and loss account in the year in which it is incurred.

Leases

The Company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Government grants

Grants that relate to capital expenditure are treated as deferred income and credited to the profit and loss account over the expected useful lives of the assets concerned. Revenue-based grants are credited to the profit and loss account in the year in which they are received or receivable.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. In general, cost is determined on weighted average cost basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Foreign currencies

Trading and non-trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Pension scheme arrangements

The company operates four contributory defined benefit pension schemes. The assets of the schemes are held separately from those of the company. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The difference between the market value of the assets of the schemes and the present value of the accrued pension liabilities is shown as a surplus/(deficit) on the balance sheet where appropriate, and is presented separately after other net assets on the face of the balance sheet. The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit or loss. The net interest on the net defined benefit surplus/(deficit) is included in interest payable and similar expenses and is calculated by applying the discount rate at the beginning of the period to the net defined benefit surplus/(deficit) taking account of changes arising as a result of contributions and benefit payments. Actuarial gains and losses are recognised directly in other comprehensive income and

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

will not be reclassified to the profit and loss account. The company also operates a defined contribution scheme for qualifying members, the cost of which are charged to the profit and loss account.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

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

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

(i) Financial assets and liabilities

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

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

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

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

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

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

Impairment of assets

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

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

Financial assets

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

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

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

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The preparation of financial statements to conform to generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Judgements

Recoverability of deferred tax assets

The recognition of deferred tax assets on tax losses incurred in the year or during previous years was accounted for to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Such probability is also determined based on the fact that such losses have originated under circumstances that are unlikely to occur again in the future. The Directors of the company have examined the profitability of the future business for the next three years for the purpose of this assessment using reasonable forecasts of trade.

Recognition of pension asset

One of the pension schemes is in a net asset position, and has been recorded as such on the Balance Sheet as it cannot be offset against the liability position of other schemes. The Directors have reviewed the scheme rules and determined that it is appropriate to record a pension asset based on the terms of the scheme and how pension surpluses would be treated should the scheme be wound up.

Key sources of estimation uncertainty

Pension plans

The net defined benefit pension scheme deficits of £4,746,000 (2021 - £9,683,000) recorded in the company's balance sheet are based on assumptions applied by the directors using data provided from the actuaries who offer their consulting services to the company and use different statistical assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, future wage inflation rates, mortality and turnover rates. See note 19 for details.

3. TURNOVER

The turnover of the company is entirely attributable to its principal activity which is sale of goods. The geographical analysis of turnover is as follows:

	2022	2021
	£'000	£'000
Geographical analysis by destination		
United Kingdom and Europe	41,383	39,809
Rest of the world	695	903
	42,078	40,712
	42,078	40,712

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

4. OTHER OPERATING INCOME

Other operating income was nil (2021: total £2,189,000: of which £2,100,000 is a settlement in relation to an ongoing legal claim against advisors regarding historical pension administrative discrepancies has been reached, this amount received was paid into the company's defined benefit schemes as an additional employer contribution; In additional, the company also received £89,000 in 2021 via the Government's Coronavirus Job Retention Scheme in relation to staff who had been furloughed following government Covid guidelines.)

5. NET OPERATING EXPENSES

	2022 £'000	2021 £'000
Distribution costs	1,200	1229
Administrative expenses	3865	4,208
	5,065	5,437

6. DIRECTORS' EMOLUMENTS

	2022 £'000	2021 £'000
Aggregate emoluments (including benefits in kind)	97	262
Pension contributions	5	5

Certain directors are remunerated by other group entities for their services to the group as a whole. The amount of remuneration which relates to qualifying services for the company is estimated to be a nominal amount (less than £1,000) in both years. There are no Directors in the defined benefit scheme (one director in 2021) and one in the defined contribution scheme during 2022 (same as 2021).

7. EMPLOYEE INFORMATION

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

	2022 Number	2021 Number
By activity		
Production	152	180
Selling, distribution and administration	14	11
	166	191
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	4,694	5,115
Social security costs	450	475
Other pension costs (see note 19)		
-Defined contribution cost	243	253
-Defined benefit non-investment expense	445	478
-Defined benefit current service cost	-	-
-Defined benefit past service cost	-	-
	5,832	6,321
Less own labour costs capitalised	-	(67)
	5,832	6,254

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£'000	£'000
Interest receivable on cash balances	310	3
	310	3
	310	3

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£'000	£'000
Bank charges	25	26
Interest payable on finance leases	(2)	63
Net interest charged on defined benefit pension schemes (note 19)	170	323
Other interest payable	43	14
	236	426
	236	426

10. EXPENSES AND AUDITOR'S REMUNERATION

	2022	2021
	£'000	£'000
Included in profit are the following:		
Depreciation charge for the year:		
Tangible fixed assets – owned	1,219	1,417
Tangible fixed assets – leased	99	145
Amortisation of intangible fixed assets	209	354
Auditor's remuneration – audit services	69	63
Operating lease charges:		
Land	72	90
Plant and machinery	88	77
Motor vehicles	38	36
(Reversal of impairment)/Impairment of trade debtors	(18)	(100)
(Reversal of impairment)/Impairment of Intangible Fixed Assets	(16)	470
Research expenditure	36	82
Foreign exchange loss/(gain)	(317)	(195)
	(317)	(195)
	(317)	(195)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

11. TAXATION

	2022	2021
	£'000	£'000
Current tax		
United Kingdom corporation tax:		
Current tax on income for the year	457	-
Adjustment in respect of prior period	8	(122)
	<u>465</u>	<u>(122)</u>
Total current tax		
Deferred taxation		
Origination and reversal of timing differences	420	510
Changes in tax rates	0	251
Adjustment in respect of prior periods	9	46
	<u>429</u>	<u>807</u>
Total deferred tax		
Total tax recognised in the Profit and loss Account	<u>894</u>	<u>685</u>
Reconciliation of effective tax rate	£'000	£'000
Profit before tax	<u>4,307</u>	<u>2,725</u>
Tax at 19.00% (2021 – 19.00%)	818	517
Factors affecting charge for the year		
Expenses not deductible for tax purposes	-	-
Non-taxable income	4	(8)
Tax rate changes	201	251
Adjustment in respect of previous periods	(129)	(75)
	<u>894</u>	<u>685</u>
Total tax charge for the year		

In addition, a deferred tax debit of £635,000 (2021: deferred tax debit £2,018,000) has been recognised in other comprehensive income.

There is no expiry date on timing differences, unused tax losses or tax credits.

Factors that may affect future tax charges:

From 1 April 2023 the corporation tax rate will increase to 25%, and this increase of the corporation tax rate was substantively enacted on 31st Dec 2022.

Following this change, deferred tax balances have been measured at the prevailing tax rate when the relevant item is expected to reverse.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

12. INTANGIBLE FIXED ASSETS

Development costs	£'000
Cost	
At 1 January 2022	5,724
Additions	22
Disposals	-
At 31 December 2022	<u>5,746</u>
Amortisation	
At 1 January 2022	5,531
Charge for the year	209
(Reversal of impairment)/Impairment	(16)
At 31 December 2022	<u>5,724</u>
Net book value	
At 31 December 2022	<u>21</u>
At 31 December 2021	<u>193</u>

The amortisation period for development costs incurred is in line with the expected future sales from the related project from the commencement of the generation of sales. The amortisation for development costs has been recognised within administrative expenses.

Research costs of £36,000 (2021 - £82,000) were expensed within the profit and loss account during the year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

13. TANGIBLE FIXED ASSETS

	Leasehold buildings & improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2022	2,823	26,926	617	116	30,482
Additions	3	302	1	146	452
Disposals	(2,669)*	(1)	-	-	(2,670)
Transfers	-	116	-	(116)	-
At 31 December 2022	<u>157</u>	<u>27,343</u>	<u>618</u>	<u>146</u>	<u>28,264</u>
Depreciation					
At 1 January 2022	2,704	22,348	549	-	25,601
Charge for the year	99	1,188	31	-	1,318
Disposals	(2,669)*	-	-	-	(2,669)
At 31 December 2022	<u>134</u>	<u>23,536</u>	<u>580</u>	<u>-</u>	<u>24,250</u>
Net book value					
At 31 December 2022	<u>23</u>	<u>3,807</u>	<u>38</u>	<u>146</u>	<u>4,014</u>
At 31 December 2021	<u>119</u>	<u>4,578</u>	<u>68</u>	<u>116</u>	<u>4,881</u>
Leased assets included above:					
Net book value					
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2021	<u>91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91</u>

* Leasehold buildings disposals refer to lease agreement terminated during the year, that was treated as financial lease.

Based on the new negotiated terms, new lease agreement has been treated as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

14. STOCKS

	2022	2021
	£'000	£'000
Raw materials and consumables	1,727	1,458
Work in progress	174	178
Finished goods and goods for resale	1,769	1,343
	3,670	2,979
	3,670	2,979

Cost of inventories recognised as an expense during the year was £22,556,000 (2021: £24,288,000).

15. DEBTORS

	2022	2021
	£'000	£'000
Amounts falling due within one year		
Trade debtors	6,931	5,559
Amounts owed by group undertakings		
Parent company and fellow subsidiary undertakings (see below)	21,879	18,260
Deferred tax asset (see note 17)	-	2
Corporation Tax	-	120
Other debtors	40	20
Prepayments and accrued income	75	199
	28,925	24,160
	28,925	24,160
Amounts falling due after more than one year		
Deferred tax asset (see note 17)	1,210	2,276
	1,210	2,276

The amounts owed by group undertakings are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

16. CREDITORS

	2022	2021
	£'000	£'000
Amounts falling due within one year		
Finance leases due within one year	0	335
Trade creditors	3,983	3,787
Amounts owed to group undertakings:		
Parent company and fellow subsidiary undertakings (see below)	4,853	1,775
Corporation tax	346	-
Other taxation and social security	583	627
Accruals and deferred income	584	1,315
Other Creditors	2,538	2,915
	<u>12,887</u>	<u>10,754</u>
	<u>12,887</u>	<u>10,754</u>
Amounts falling due after more than one year		
Finance leases due after more than one year	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The amounts owed to group undertakings are unsecured, repayable on normal trading terms.

17. DEFERRED TAXATION

	2022	2021
	£'000	£'000
Deferred taxation		
Deferred capital allowances	(82)	2
Losses and short-term differences	105	-
	<u>23</u>	<u>2</u>
Net deferred tax asset included in debtors due within one year	23	2
Net deferred tax asset in relation to pension schemes due in more than one year	1,187	2,276
	<u>1,210</u>	<u>2,278</u>
Net deferred tax asset included in debtors	1,210	2,278
	<u>1,210</u>	<u>2,278</u>
	<u>1,210</u>	<u>2,278</u>
Net deferred tax asset at 1 January	2,278	5,103
Deferred tax in profit and loss account (note 11)	(429)	(807)
Deferred tax in other comprehensive income	(639)	(2,018)
	<u>1,210</u>	<u>2,278</u>
Net deferred tax asset at 31 December	<u>1,210</u>	<u>2,278</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

18. PROVISIONS FOR LIABILITIES

	Warranty £'000	Other £'000	Total £'000
At 1 January 2022	-	497	497
(Credited)/charged to profit and loss account	-	145	145
Utilised	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2022	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other

The company has a building dilapidation provision of £516,000 (2021: £371,000).

On the 26th October 2018, a High Court judgement was handed down with respect to Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC regarding the requirement for pension schemes to equalise for the effect of inequalities in Guaranteed Minimum Pensions (“GMP”) between male and female members, the company has provided £125,000 (2021: £125,000) for legal and actuarial costs to implement this change to the pension schemes. The costs of the GMP additional benefits have been accounted for in the defined benefit pension balances.

19. PENSION AND SIMILAR OBLIGATIONS

The company operates four pension schemes providing benefits based on final pensionable salary. The assets of the schemes are held separately from those of the company in separate trustee-administered funds. Funding of the schemes is made based on a proportion of relevant staff salaries with additional annual funding to reduce the deficit as agreed with the trustees under the relevant schedule of contributions.

The company participates in the following pension arrangements:

- Fram Europe Limited Retirement Benefit Plan (defined benefit) (Fram scheme)
- Coopers Filters Limited Retirement Benefit Plan (defined benefit) (Coopers scheme)
- Filtrauto UK Limited Works Scheme (Works scheme)
- Filtrauto UK Limited Staff Scheme (Staff scheme)

The most recent actuarial valuations of the schemes were carried out as stated below and updated to 31st December 2022 by Quantum Advisory using the projected unit method. All four schemes are closed to future accrual.

	Date of last triennial valuation	Closed to future accrual
Fram	31/03/21	31/03/20
Coopers	05/04/19	30/09/17
Filtrauto Staff	31/03/19	27/05/16
Filtrauto Works	31/03/19	31/12/05

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

19. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

The principal assumptions for the schemes, together with aggregated information in relation to the schemes, are set out below:

	2022 Works, Staff, Fram and Coopers %	2021 Works, Staff, Fram and Coopers %
Principal assumptions		
Rate of increase in salaries:		
Fram	n/a	n/a
Coopers	n/a	n/a
Rate of increase in pensions in payment:		
Fram	2.60	2.80
Coopers	2.60	2.80
Staff	3.10	3.40
Works	3.10	3.40
Discount rate	4.80	1.90
Inflation assumption – RPI	3.20	3.50
Rate of increase in deferred pensions		
Fram	2.60	2.80
Coopers	2.60	2.80
Staff	3.20	3.50
Works	3.20	3.50

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2022 Works, Staff, Fram and Coopers	2021 Works, Staff, Fram and Coopers
Retiring today		
Males	21.1	21.1
Females	23.5	23.5
Retiring in 20 years		
Males	22.1	22.0
Females	24.7	24.6

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

19. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

The aggregated assets in the schemes were:

	Total value at 31 December 2022 £'000	Total value at 31 December 2021 £'000
Equities	8,321	20,065
Absolute return	20,352	20,783
Bonds	51,222	55,326
Alternatives	8,606	32,756
Other	6,856	16,717
	<u>95,357</u>	<u>145,647</u>
Total market value of assets		
	<u>(46,028)</u>	<u>5,930</u>
Actual return on plan assets		

	2022 £'000	2021 £'000
Analysis of the movement in the market value of the scheme assets		
Scheme assets at the beginning of the year	145,647	141,253
Interest income	2,726	1,826
Actuarial (loss)/gain	(48,754)	4,104
Contribution by the employer	2,044	4,169
Contribution by scheme participants	-	-
Benefits paid	(5,861)	(5,227)
Non-investment expense	(445)	(478)
	<u>95,357</u>	<u>145,647</u>
Scheme assets at the end of the year		

	2022 £'000	2021 £'000
Analysis of movement in the present value of scheme liabilities		
Scheme liabilities at the beginning of the year	155,330	167,925
Current service cost	-	-
Interest cost	2,896	2,149
Contributions by scheme participants	-	-
Actuarial (gain)/loss	(52,262)	(9,517)
Benefits paid	(5,861)	(5,227)
Past service cost	-	-
	<u>100,103</u>	<u>155,330</u>
Scheme liabilities at the end of the year		

SOGEFI FILTRATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

19. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

	2022 Schemes in deficit £'000	2022 Schemes in surplus £'000	Total value at 31 December 2022 £'000
Schemes			
Works	(237)	-	(237)
Staff	(991)	-	(991)
Fram	-	5,369	5,369
Coopers	(8,887)	-	(8,887)
	<u>(10,115)</u>	<u>5,369</u>	<u>(4,746)</u>
	<u><u>(10,115)</u></u>	<u><u>5,369</u></u>	<u><u>(4,746)</u></u>
	2021 Schemes in deficit £'000	2021 Schemes in surplus £'000	Total value at 31 December 2021 £'000
Schemes			
Works	(501)	-	(501)
Staff	(1,554)	-	(1,554)
Fram	-	4,376	4,376
Coopers	(12,004)	-	(12,004)
	<u>(14,059)</u>	<u>4,376</u>	<u>(9,683)</u>
	<u><u>(14,059)</u></u>	<u><u>4,376</u></u>	<u><u>(9,683)</u></u>

Analysis of amount charged to profit or loss

	2022 £'000	2021 £'000
Operating profit:		
Current service cost	-	-
Non-investment expenses	445	478
Past service cost	-	-
Interest payable and similar expenses:		
Net interest on pension scheme deficit/(surplus)	170	323
	<u>615</u>	<u>801</u>
Total cost recognised in profit for the financial year	<u><u>615</u></u>	<u><u>801</u></u>

Analysis of amount charged to other comprehensive income/(expense)

	2022 £'000	2021 £'000
Actuarial gain/(loss) on scheme liabilities	52,262	9,517
Actuarial (loss)/gain on scheme assets	(48,754)	4,104
	<u>3,508</u>	<u>13,621</u>
Total income/(expense) recognised in other comprehensive income for the financial year	<u><u>3,508</u></u>	<u><u>13,621</u></u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

19. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

	2022	2021
	£'000	£'000
Defined contribution scheme	<u>244</u>	<u>253</u>

The outstanding contributions due to the schemes at the year-end represented the unpaid contributions for December and were as follows:

	2022	2021
	£'000	£'000
Defined contribution scheme	<u>38</u>	<u>42</u>

20. CALLED UP SHARE CAPITAL

	2022	2021
	£'000	£'000
Allotted, called up and fully paid 5,126,737 ordinary shares of £1 each	<u>5,127</u>	<u>5,127</u>

21. RESERVES

Share premium

This reserve represents the excess of amounts subscribed for issued shares over the nominal value of the shares.

Profit and loss account

This reserve relates to the cumulative retained profits and losses and other comprehensive income less amounts distributed to shareholders.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

22. FINANCIAL COMMITMENTS

Operating leases

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

	2022		2021	
	Land £'000	Other £'000	Land £'000	Other £'000
Due within one year	386	97	68	89
Due between two and five years	2,059	63	-	111
Due after five years	2,317	-	-	-
	<u>4,763</u>	<u>161</u>	<u>68</u>	<u>200</u>
Lease payments under operating leases recognised as an expense in the year	<u>72</u>	<u>126</u>	<u>90</u>	<u>113</u>

Increase mainly refer to the factory building site lease renewed in September 2022 for 10 years.

23. ULTIMATE PARENT UNDERTAKING

The immediate parent company is Sogefi Filtration SA. Sogefi Filtration SA is the parent undertaking of the smallest group to consolidate these financial statements. The ultimate parent company is Fratelli De Benedetti SpA, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the group financial statements of Fratelli De Benedetti SpA may be obtained from Sogefi SpA,, Via Ciovassino 1/a 20121, Italy.