

# Financial Statements European Friction Industries Limited

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**For the Year Ended 31 October 2016**

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COMPANIES HOUSE

**Registered number: 02002865**

## Company Information

<b>Directors</b>	T D Prideaux L A Lawson
<b>Company secretary</b>	T D Prideaux
<b>Registered number</b>	02002865
<b>Registered office</b>	Enterprise House 6/7 Bonville Road Brislington BRISTOL BS4 5NZ
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW
<b>Bankers</b>	HSBC Bank PLC 22 Abington Street NORTHAMPTON NN1 2AN
<b>Solicitors</b>	Scott Fowler LLP Old Church Chambers 23/24 Sandhill Road St James NORTHAMPTON NN5 5LH

## Contents

	Page
<b>Directors' report</b>	1 - 2
<b>Strategic report</b>	3
<b>Independent auditor's report</b>	4 - 5
<b>Statement of comprehensive income</b>	6
<b>Statement of financial position</b>	7
<b>Statement of changes in equity</b>	8
<b>Notes to the financial statements</b>	9 - 24

## **Directors' report**

**For the Year Ended 31 October 2016**

The directors present their report and the financial statements for the year ended 31 October 2016.

### **Business review**

The directors are pleased with the performance during the year and believe that the company is in a strong position to continue growth in the future. Gross profit margin has increased by 1% to 66% (2015: increased by 2%). Turnover has increased by 19% to £9,588,708 (2015: decreased by 3%).

### **Results and dividends**

The profit for the year, after taxation, amounted to £2,323,472 (2015 - £1,348,771).

During the year the company paid cash dividends of £2,000,000 (2015 - £1,000,000) to EBC Holdings Limited and a dividend in specie of £1,300,357 (2015: £nil).

The dividends in specie comprises of £1,266,170 in relation to Land & Buildings and £34,187 of Plant and Machinery which have been transferred to EBC Holdings Limited.

### **Directors**

The directors who served during the year were:

T D Prideaux  
L A Lawson

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

## **Directors' report (continued)**

**For the Year Ended 31 October 2016**

### **Share capital**

On 25 October 2015 the company passed a special resolution to:

- 1) Reduce its share capital account from £167,212 to £1,000, and
- 2) Cancel the share premium account of the company.

The amount by which the share capital account and share premium account were reduced was credited to the statement of comprehensive income.

### **Post balance sheet events**

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

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 27 March 2017 and signed on its behalf.



L A Lawson  
Director

## Strategic report

For the Year Ended 31 October 2016

### Business review and future developments

The directors are pleased with the performance during the year and believe that the company is in a strong position to continue growth in the future.

### Summary of key performance indicators

The directors monitor the progress of the overall company strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators.

#### Financial

Gross profit margin: This has increased by 1% to 66% (2015 - increased by 2%).

Growth in turnover: Turnover has increased by 19% to £9,588,708 (2015 - decreased by 3%).

#### Non-financial

Average number of employees has increased by 8% (2015: no change).

This report was approved by the board on 27 March 2017 and signed on its behalf



L A Lawson  
Director

## Independent auditor's report to the members of European Friction Industries Limited

We have audited the financial statements of European Friction Industries Limited for the year ended 31 October 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report and the Strategic report for the financial year for which the financial statements are prepared is consistent with those financial statements.



## Independent auditor's report to the members of European Friction Industries Limited (continued)

### **Matters on which we are required to report by exception**

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, 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.

*Grant Thornton UK LLP*

Laura Brierley (Senior statutory auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Senior Statutory Auditor  
Milton Keynes

27 March 2017



# Statement of comprehensive income

For the Year Ended 31 October 2016

	Note	2016 £	2015 £
Turnover	4	9,588,708	8,043,079
Cost of sales		(3,229,157)	(2,820,158)
<b>Gross profit</b>		<b>6,359,551</b>	<b>5,222,921</b>
Administrative expenses		(3,502,454)	(3,524,790)
<b>Operating profit</b>	5	<b>2,857,097</b>	<b>1,698,131</b>
Interest receivable and similar income	8	185	242
Interest payable and expenses	9	(105)	-
<b>Profit before tax</b>		<b>2,857,177</b>	<b>1,698,373</b>
Tax on profit	10	(533,705)	(349,602)
<b>Profit for the year</b>		<b>2,323,472</b>	<b>1,348,771</b>

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2016 (2015: £NIL).

The notes on pages 9 to 24 form part of these financial statements.

# Statement of financial position

As at 31 October 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	11	391,112	1,674,055
		<u>391,112</u>	<u>1,674,055</u>
<b>Current assets</b>			
Stocks	12	1,786,342	1,370,304
Debtors: amounts falling due within one year	13	4,881,433	4,415,878
Cash at bank and in hand	14	915,634	1,248,989
		<u>7,583,409</u>	<u>7,035,171</u>
Creditors: amounts falling due within one year	15	(1,780,736)	(1,506,661)
<b>Net current assets</b>		<u>5,802,673</u>	<u>5,528,510</u>
<b>Total assets less current liabilities</b>		<u>6,193,785</u>	<u>7,202,565</u>
<b>Provisions for liabilities</b>			
Deferred tax	18	-	(31,895)
		<u>-</u>	<u>(31,895)</u>
<b>Net assets</b>		<u><u>6,193,785</u></u>	<u><u>7,170,670</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	1,000	1,000
Profit and loss account	20	6,192,785	7,169,670
		<u>6,193,785</u>	<u>7,170,670</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 March 2017.



**L A Lawson**  
Director

The notes on pages 9 to 24 form part of these financial statements.

## Statement of changes in equity

For the Year Ended 31 October 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 November 2015	1,000	7,169,670	7,170,670
<b>Comprehensive income for the year</b>			
Profit for the year	-	2,323,472	2,323,472
<b>Total comprehensive income for the year</b>	-	2,323,472	2,323,472
Dividends: Equity capital	-	(3,300,357)	(3,300,357)
<b>Total transactions with owners</b>	-	(3,300,357)	(3,300,357)
<b>At 31 October 2016</b>	<b>1,000</b>	<b>6,192,785</b>	<b>6,193,785</b>

## Statement of changes in equity

For the Year Ended 31 October 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 November 2014	167,212	8,000	6,646,687	6,821,899
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,348,771	1,348,771
<b>Total comprehensive income for the year</b>	-	-	1,348,771	1,348,771
Dividends: Equity capital	-	-	(1,000,000)	(1,000,000)
Reduction of share capital	-	-	166,212	166,212
Cancellation of share premium account	-	(8,000)	-	(8,000)
Reduction of share capital	(166,212)	-	-	(166,212)
Cancellation of share premium account	-	-	8,000	8,000
<b>Total transactions with owners</b>	<b>(166,212)</b>	<b>(8,000)</b>	<b>(825,788)</b>	<b>(1,000,000)</b>
<b>At 31 October 2015</b>	<b>1,000</b>	<b>-</b>	<b>7,169,670</b>	<b>7,170,670</b>

The notes on pages 9 to 24 form part of these financial statements.

# Notes to the financial statements

For the Year Ended 31 October 2016

## 1. General information

European Friction Industries Limited is a limited liability company incorporated in England and Wales. Its registered head office is located at Enterprise House, 6/7 Bonville Road, Brislington, Bristol, BS4 5NZ.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 October 2016.

The principal activity of the Company during the year was the manufacture and moulding of friction materials to vehicle disc pads.

## 2. Accounting policies

### 2.1 Basis of preparation

The company transitioned from the previously extant UK GAAP to FRS 102 as at 1 November 2014. An explanation of how this transition to FRS 102 has affected the reported financial position and financial performance is given in note 26.

The financial statements are prepared in Sterling (£), the functional and presentational currency of the company. The functional currency is the currency of the primary economic environment in which the entity operates.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of EBC Holdings Limited as at 31 October 2016 and these financial statements may be obtained from Companies House.

### 2.3 Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

## Notes to the financial statements

For the Year Ended 31 October 2016

### 2. Accounting policies (continued)

#### 2.4 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives on the following basis:

Depreciation is provided on the following basis:

Freehold Property	- 2% straight line
Plant & machinery	- 25% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures & fittings	- 25% reducing balance

#### 2.5 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 2.6 Stocks

Stock are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

#### 2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

#### 2.8 Cash and cash equivalents

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

# Notes to the financial statements

For the Year Ended 31 October 2016

## 2. Accounting policies (continued)

### 2.9 Financial instruments

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

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

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

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

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

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

### 2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

### 2.11 Creditors

Short term trade creditors are measured at the transaction price.

### 2.12 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

## Notes to the financial statements

For the Year Ended 31 October 2016

### 2. Accounting policies (continued)

#### 2.13 Operating leases: the Company as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

#### 2.14 Provisions for liabilities

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

# Notes to the financial statements

For the Year Ended 31 October 2016

## 2. Accounting policies (continued)

### 2.15 Current and deferred taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- 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.

### 2.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned in respect of the goods and services supplied during the year.

#### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point of despatch or customer collection.



## Notes to the financial statements

For the Year Ended 31 October 2016

### 2. Accounting policies (continued)

#### 2.17 Foreign currency translation

Functional currency and presentation currency

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances

In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recognised at the spot rate at the dates of the transactions or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### 2.18 Government grants

Government grants of a revenue nature are credited to the statement of comprehensive income as the related expenditure is incurred.

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

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

Deferred Tax

The company is subject to UK corporation tax and judgement is required in determining the provision for income and deferred taxation. The company recognises taxation assets and liabilities based upon estimates and assessments of many factors including judgements about the outcome of future events. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. At 31 October 2016 the company has recognised a deferred tax asset consisting of the tax effect of timing differences in respect of the excess of taxation over depreciation upon fixed assets of £2,413 (2015: liability £31,895) on the basis that the company is in a tax paying position.

Useful economic life of intangible and intangible fixed assets

The company holds both tangible and intangible assets. Management judgement is required in setting the useful economic lives for each class of tangible asset and an appropriate amortisation rate for intangible assets.

# Notes to the financial statements

For the Year Ended 31 October 2016

## 4. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company as stated in Note 1.

The analysis of turnover, profit before tax and net assets by geographical market have not been disclosed as in the opinion of the directors this could be harmful to the company's interests.

## 5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Foreign exchange gain	(776,386)	(189,337)
Land and building operating lease rentals	238,020	50,064
Other operating lease rentals	13,327	-
Depreciation of owned fixed assets	105,524	120,084
Profit on disposal of fixed assets	(2,598)	(701)
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	13,750	11,671
Fees payable to the company's auditor for non audit services	3,133	3,100

Fees payable to company auditor in respect of non audit service are in relation to corporation tax compliance.