

Registered number: 02002865

EUROPEAN FRICTION INDUSTRIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2020

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EUROPEAN FRICTION INDUSTRIES LIMITED

COMPANY INFORMATION

Director	J A Hallett
Registered number	02002865
Registered office	Enterprise House 6/7 Bonville Road Brislington Bristol BS4 5NZ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Victoria House 4th Floor 199 Avebury Boulevard Milton Keynes MK9 1AU
Bankers	HSBC Bank PLC 22 Abington Street Northampton NN1 2AN
Solicitors	Franklins Solicitors LLP 8 Castilian Street Northampton NN1 1JX

EUROPEAN FRICTION INDUSTRIES LIMITED

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EUROPEAN FRICTION INDUSTRIES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 OCTOBER 2020

The director presents his report and the financial statements for the year ended 31 October 2020.

Results and dividends

The profit for the year, after taxation, amounted to £919,909 (2019: £704,253).

During the year the Company paid cash dividends of £1,160,000 (2019: £2,075,000) to EBC Holdings Limited.

Business review

The Company showed very strong performance in a difficult year with customers concerned over the uncertainty with Brexit. Profitability remains strong and there are plans in place to increase technical innovation, new product ranges and to secure a strong staff base to improve efficiency and boost revenue in the coming year.

Director

The director who served during the year was:

J A Hallett

Director's responsibilities statement

The director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and 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 and profit or loss of the Company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 director is 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.

EUROPEAN FRICTION INDUSTRIES LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2020**

Engagement with employees

The Company is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, religion, gender, age, disability and sexual orientation. The Company gives disabled people the same consideration as other individuals. Matters which affect the Company are communicated to employees through formal and informal meetings, internal announcements and regular contact with the director and senior management

Qualifying third party indemnity provisions

During the period and up to the date of this report, the Company maintained liability insurance and third-party indemnification provisions for its director, under which the Company has agreed to indemnify the director to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company.

Disclosure of information to auditor

The director confirms 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31/3/2021

and signed on its behalf.

James Hallett

J A Hallett
Director

EUROPEAN FRICTION INDUSTRIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020

Introduction

The director presents his Strategic report for the year ended 31 October 2020.

Business review and future developments

The director is 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 director monitors 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 stayed at 60% (2019: decreased by 3% to 60%).

Growth in turnover: Turnover has decreased by 8% to £7,834,747 (2019: decreased by 6% to £8,464,205).

Non-financial

Average number of employees has decreased by 1% from 88 to 85 (2019: decreased by 5% from 93 to 88).

Principal risks and uncertainties

Despite the current position with Covid-19, with the high level of cash within the Company and the Group we remain optimistic.

The Company's principal financial instruments comprise cash and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks. The main risks arising from the Company's financial instruments are credit risk and currency risk. The director reviews and agrees policies for managing each of these financial risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses currency risk and interest rate risk. The Company's policies for managing interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the sub section below.

Currency risk

The Company is exposed to transaction foreign exchange risk. If considered necessary, transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge, the Company does not adopt an accounting policy of hedge accounting for these financial statements.

Interest rate risk

The Company finances its operations through a mixture of retained profits and bank overdrafts where required.

EUROPEAN FRICTION INDUSTRIES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2020**

Credit risk

The Company seeks to manage its credit risk by dealing with established customers or otherwise checking the credit worthiness of new customers, establishing clear contractual relationships with those customers, and by identifying and addressing any credit issues arising in a timely manner. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Brexit

With regards to the uncertainty around Brexit the company has considered both the duty aspects as well as the currency and future trade. In addition we have liaised with customers to bring forward orders they would normally make in summer of 2020.

This report was approved by the board on 31/3/2021

and signed on its behalf.

James Hallett

J A Hallett
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN FRICTION INDUSTRIES LIMITED

Opinion

We have audited the financial statements of European Friction Industries Limited (the 'Company') for the year ended 31 October 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 October 2020 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.

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the director and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are among the most significant economic events for the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN FRICTION INDUSTRIES LIMITED (CONTINUED)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the director's conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The director is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. 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.

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

We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN FRICTION INDUSTRIES LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Director's report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 the Director's report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 director's 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 for the financial statements

As explained more fully in the Director's responsibilities statement set out on page 1, the director is 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 director determines 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 director is 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 director either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN FRICTION INDUSTRIES
LIMITED (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 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.

Grant Thornton UK LLP

Mitesh Tanna BSc(Hons) ACA
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date: 31/3/2021

EUROPEAN FRICTION INDUSTRIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2020**

	Note	2020 £	2019 £
Turnover	4	7,785,620	8,464,205
Cost of sales		(3,087,887)	(3,380,265)
Gross profit		4,697,733	5,083,940
Administrative expenses		(3,826,848)	(4,238,870)
Other income	5	49,128	-
Operating profit	6	920,013	845,070
Interest receivable	10	-	6,784
Interest payable	11	(107)	-
Profit before tax		919,906	851,854
Tax on profit	12	(179,770)	(147,601)
Profit for the financial year		740,136	704,253
Total comprehensive income for the year		740,136	704,253

The notes on pages 12 to 26 form part of these financial statements.

EUROPEAN FRICTION INDUSTRIES LIMITED
REGISTERED NUMBER:02002865

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	667,704	412,883
		<u>667,704</u>	<u>412,883</u>
Current assets			
Inventories	14	1,786,559	1,921,954
Debtors: amounts falling due within one year	15	2,015,189	2,491,071
Cash at bank and in hand	16	815,496	976,035
		<u>4,617,244</u>	<u>5,389,060</u>
Creditors: amounts falling due within one year	17	(1,261,964)	(1,413,617)
Net current assets		<u>3,355,280</u>	<u>3,975,443</u>
Total assets less current liabilities		<u>4,022,984</u>	<u>4,388,326</u>
Provisions for liabilities			
Deferred tax	20	(56,735)	(2,213)
		<u>(56,735)</u>	<u>(2,213)</u>
Net assets		<u><u>3,966,249</u></u>	<u><u>4,386,113</u></u>
Capital and reserves			
Called up share capital	21	1,000	1,000
Profit and loss account	22	3,965,249	4,385,113
		<u><u>3,966,249</u></u>	<u><u>4,386,113</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31/3/2021

James Hallett

J A Hallett
Director

The notes on pages 12 to 26 form part of these financial statements.

EUROPEAN FRICTION INDUSTRIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 November 2019	1,000	4,385,113	4,386,113
Comprehensive income for the year			
Profit for the year	-	740,136	740,136
Total comprehensive income for the year	-	740,136	740,136
Dividends: Equity capital (Note 22)	-	(1,160,000)	(1,160,000)
At 31 October 2020	1,000	3,965,249	3,966,249

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 November 2018	1,000	5,755,860	5,756,860
Comprehensive income for the year			
Profit for the year	-	704,253	704,253
Total comprehensive income for the year	-	704,253	704,253
Dividends: Equity capital (Note 22)	-	(2,075,000)	(2,075,000)
At 31 October 2019	1,000	4,385,113	4,386,113

The notes on pages 12 to 26 form part of these financial statements.

EUROPEAN FRICTION INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2020

1. General information

European Friction Industries Limited is a private company limited by shares & 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 2020.

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 of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company's functional and presentation currency is Pound Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

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 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- 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 2020 and these financial statements may be obtained from Companies House.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

2. Accounting policies (continued)**2.3 Going concern**

After reviewing the Company's forecasts and projections, the director has 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.

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:

Depreciation is provided on the following basis:

Plant & machinery	- 25% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures & fittings	- 25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

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 carrying 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 the Statement of comprehensive income.

2.6 Inventories

Inventories are stated at the lower of cost, using weighted average cost method, and selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of comprehensive income.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

2. Accounting policies (continued)**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.

2.9 Financial instruments

The Company only enters into basic financial instrument 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows 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 of the recoverable amount, 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.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

2. Accounting policies (continued)**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.

2.13 Operating leases: the Company as lessee

Rentals payable under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

2.14 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 company 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 Company 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.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

2. Accounting policies (continued)**2.15 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. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.16 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.

2.17 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

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 judgements 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 2020 the Company has recognised a deferred tax liability consisting of the tax effect of timing differences in respect of the excess of taxation over depreciation upon fixed assets of £56,735 (2019: £2,213) on the basis that the Company is in a tax paying position.

Useful economic life of tangible fixed assets

The Company holds tangible fixed assets. Management judgement is required in setting the useful economic lives for each class of tangible asset.

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. Other income

	2020 £	2019 £
Government grants	<u>49,128</u>	<u>-</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Land and building operating lease rentals	276,796	276,796
Other operating lease rentals	10,617	14,679
Exchange differences	(30,853)	78,561
Depreciation of owned fixed assets	<u>197,022</u>	<u>119,741</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>12,700</u>	<u>12,700</u>
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	<u>3,600</u>	<u>3,600</u>

8. Employees

Staff costs, including director's remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	2,222,871	2,463,675
Social security costs	197,495	213,909
Cost of defined contribution scheme	52,034	54,471
	<u>2,472,400</u>	<u>2,732,055</u>

The average monthly number of employees, including the director, during the year was as follows:

	2020 No.	2019 No.
Production	61	63
Administration	15	15
Warehouse	9	10
	<u>85</u>	<u>88</u>

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9. Director's remuneration

	2020	2019
	£	£
Director's emoluments	-	107,416
Company contributions to defined contribution pension schemes	-	87,716
	<u>-</u>	<u>195,132</u>
	<u>-</u>	<u>195,132</u>

During the year retirement benefits were accruing to no director (2019: 1) in respect of defined contribution pension schemes.

10. Interest receivable

	2020	2019
	£	£
Bank interest receivable	-	6,784
	<u>-</u>	<u>6,784</u>

11. Interest payable

	2020	2019
	£	£
Bank interest payable	107	-
	<u>107</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	125,248	162,472
	<u>125,248</u>	<u>162,472</u>
Total current tax	<u>125,248</u>	<u>162,472</u>
Deferred tax		
Origination and reversal of timing differences	54,261	2,136
Adjustments in respect of prior periods	-	(17,007)
Effect of tax rate change on opening balance	261	-
Total deferred tax	<u>54,522</u>	<u>(14,871)</u>
Taxation on profit on ordinary activities	<u>179,770</u>	<u>147,601</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>919,906</u>	<u>851,854</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	174,782	161,852
Effects of:		
Fixed Asset Differences	4,726	2,979
Expenses not deductible for tax purposes	-	29
Adjustments to tax charge in respect of prior periods - deferred tax	-	(17,007)
Adjust opening deferred tax to average of 19%	-	8
Adjust closing deferred tax to average of 19%	262	(260)
Total tax charge for the year	<u>179,770</u>	<u>147,601</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. Tangible fixed assets

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost				
At 1 November 2019	2,959,041	10,801	2,810,490	5,780,332
Additions	361,204	-	91,021	452,225
Disposals	(146,871)	-	(279,846)	(426,717)
At 31 October 2020	<u>3,173,374</u>	<u>10,801</u>	<u>2,621,665</u>	<u>5,805,840</u>
Depreciation				
At 1 November 2019	2,694,065	7,201	2,666,183	5,367,449
Charge for the year on owned assets	141,259	904	54,859	197,022
Disposals	(146,796)	-	(279,539)	(426,335)
At 31 October 2020	<u>2,688,528</u>	<u>8,105</u>	<u>2,441,503</u>	<u>5,138,136</u>
Net book value				
At 31 October 2020	<u><u>484,846</u></u>	<u><u>2,696</u></u>	<u><u>180,162</u></u>	<u><u>667,704</u></u>
At 31 October 2019	<u><u>264,976</u></u>	<u><u>3,600</u></u>	<u><u>144,307</u></u>	<u><u>412,883</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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14. Inventories

	2020 £	2019 £
Raw materials	1,669,685	1,616,363
Work in progress	77,910	227,785
Finished goods and goods for resale	38,964	77,806
	<u>1,786,559</u>	<u>1,921,954</u>

Stock recognised in cost of sales during the year as an expense was £2,626,500 (2019: £2,896,389).

The stock provision was £439,034 (2019: £443,101).

15. Debtors

	2020 £	2019 £
Trade debtors	110,949	113,063
Amounts owed by group undertakings	1,813,389	2,135,108
Other debtors	8,998	152,772
Prepayments and accrued income	81,853	90,128
	<u>2,015,189</u>	<u>2,491,071</u>

Amounts owed by group undertakings of £1,813,389 (2019: £2,135,108) relate to trading balances and do not accrue interest income. The amounts due are repayable on demand.

16. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>815,496</u>	<u>976,035</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

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17. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	431,000	577,500
Amounts owed to group undertakings	204,797	215,485
Corporation tax	125,655	97,281
Other taxation and social security	157,247	94,557
Accruals and deferred income	343,265	428,794
	<u>1,261,964</u>	<u>1,413,617</u>

Amounts owed to group undertakings of £204,797 (2019: £215,485) relate to trading balances and do not accrue interest charges. The amounts due are repayable in line with trading terms.

18. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>2,748,833</u>	<u>3,376,978</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(635,797)</u>	<u>(792,985)</u>

Financial assets that are debt instruments measured at amortised cost comprise of financial instruments in relation to trade debtors, amounts owed by group undertakings, other debtors and cash.

Financial liabilities measured at amortised cost comprise of financial instruments in relation to trade creditors, amounts owed to group undertakings, other creditors and accruals and deferred income.

EUROPEAN FRICTION INDUSTRIES LIMITED

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19. Financial risk management

The Company uses various financial instruments. These include cash and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk, credit risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity Risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The directors' policy is to have bank overdraft during available to maintain short term flexibility.

Interest Rate Risk

The Company finances its operations through a mixture of retained profits and bank overdraft where required. The Company exposure to interest rate fluctuation on its borrowings is managed by the use of both fixed and floating facilities.

Credit Risk

The Company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited, the principal credit risk lies with trade debtors.

In order to manage credit risk the directors utilise set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. Deferred taxation

	2020 £	2019 £
At beginning of year	(2,213)	(17,084)
Charged to profit or loss	(54,522)	14,871
At end of year	(56,735)	(2,213)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(58,887)	(4,033)
Short term timing differences	2,152	1,820
	(56,735)	(2,213)

The amount of the net reversal of deferred tax expected to occur next year is £54,522 (2019: £14,871), relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on fixed assets.

21. Share capital

	2020 £	2019 £
Authorised		
350,000 (2019: 350,000) Ordinary shares of £1 each	350,000	350,000
100,000 (2019: 100,000) Preference shares of £1 each	100,000	100,000
	450,000	450,000
Allotted, called up and fully paid		
1,000 (2019: 1,000) Ordinary shares of £1 each	1,000	1,000

Called-up share capital: Represents the nominal value of shares that have been issued.

22. Reserves

Profit & loss account

Includes all current and prior periods retained profits and losses.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

23. Dividends

	2020 £	2019 £
Paid during the year	<u>1,160,000</u>	<u>2,075,000</u>

24. Contingent liabilities

The Company is party to a guarantee in favour of H M Revenue & Customers for a maximum of £40,000 (2019: £40,000).

25. Capital commitments

At the year end 31 October 2019, the Company had capital commitments worth £29,993 (2019: £100,000).

26. Commitments under operating leases

At 31 October 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Within one year	5,858	5,858
Later than 1 year and not later than 5 years	<u>5,370</u>	<u>7,323</u>

27. Related party transactions

As a wholly owned subsidiary of EBC Holdings Limited, the Company is exempt from the requirements of FRS 102 Section 33 to disclose transactions with other members of the group headed by EBC Holdings Limited. The consolidated financial statements for this Company may be obtained from Companies House.

The Company is party to an unlimited multilateral guarantee given in respect of group banking arrangements. Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future dated 04 March 2003.