

# Financial Statements

## European Friction Industries Limited

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For the year ended 31 October 2017

Registered number: 02002865

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# European Friction Industries Limited

## Company Information

### Directors

T D Prideaux  
L A Lawson

### 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  
199 Avebury Boulevard  
Milton Keynes  
MK9 1AU

### Bankers

HSBC Bank PLC  
22 Abington Street  
NORTHAMPTON  
NN1 2AN

### Solicitors

Scott Fowler LLP  
Old Church Chambers  
23/24 Sandhill Road  
St James  
NORTHAMPTON  
NN5 5LH

# **European Friction Industries Limited**

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## **European Friction Industries Limited**

### **Directors' report For the year ended 31 October 2017**

The directors present their report and the financial statements for the year ended 31 October 2017.

#### **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.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £1,458,527 (2016: £2,323,472).

During the year the Company paid cash dividends of £1,750,000 (2016: £2,000,000) to EBC Holdings Limited and a dividend in specie of £Nil (2016: £1,300,357).

#### **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 to 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 and other information included in Directors' reports may differ from legislation in other jurisdictions.

## **European Friction Industries Limited**

### **Directors' report (continued) For the year ended 31 October 2017**

#### **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 directors, under which the Company has agreed to indemnify the directors 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**

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.

#### **Post balance sheet events**

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

#### **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 and signed on its behalf.



**L A Lawson**  
Director

Date: 13 March 2018

## **European Friction Industries Limited**

### **Strategic report For the year ended 31 October 2017**

#### **Introduction**

The directors present their strategic report for the year ended 31st October 2017.

#### **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 decreased by 4% to 62% (2016: increased by 1%).

Growth in turnover: Turnover has increased by 5% to £10,097,324 (2016: increased by 19%).

#### **Non-financial**

Average number of employees has increased by 11% (2016: 8%).

This report was approved by the board on 13 March 2018 and signed on its behalf.

13 March 2018



**L A Lawson**  
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 for the year ended 31 October 2017, 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 2017 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

### **Who we are reporting to**

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.

### **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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have 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.

### **Other information**

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

The directors are 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 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.

**Opinion 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 Directors' report and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report and the Strategic report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by 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 Directors' report or the Strategic 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Independent auditor's report to the members of European Friction Industries Limited (continued)****Responsibilities of directors for the financial statements**

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, 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.

**Auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's report.

Grant Thornton UK LLP

Laura Brierley  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Milton Keynes

13 March 2018

# European Friction Industries Limited

## Statement of comprehensive income For the year ended 31 October 2017

	Note	2017 £	2016 £
Turnover	4	10,097,324	9,588,708
Cost of sales		(3,870,982)	(3,229,157)
<b>Gross profit</b>		<b>6,226,342</b>	<b>6,359,551</b>
Administrative expenses		(4,426,315)	(3,502,454)
<b>Operating profit</b>	5	<b>1,800,027</b>	<b>2,857,097</b>
Interest receivable and similar income	9	8,545	185
Interest payable and expenses	10	(47)	(105)
<b>Profit before tax</b>		<b>1,808,525</b>	<b>2,857,177</b>
Tax on profit	11	(349,998)	(533,705)
<b>Profit for the financial year</b>		<b>1,458,527</b>	<b>2,323,472</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £Nil).

The notes on pages 10 to 23 form part of these financial statements.

**European Friction Industries Limited**  
**Registered number:02002865**

**Statement of financial position**  
**As at 31 October 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible fixed assets	12	996,934	391,112
		<u>996,934</u>	<u>391,112</u>
<b>Current assets</b>			
Stocks	13	2,047,621	1,786,342
Debtors: amounts falling due within one year	14	3,344,631	4,881,433
Cash at bank and in hand	15	748,142	915,634
		<u>6,140,394</u>	<u>7,583,409</u>
Creditors: amounts falling due within one year	16	(1,228,552)	(1,780,736)
<b>Net current assets</b>		<u>4,911,842</u>	<u>5,802,673</u>
<b>Total assets less current liabilities</b>		<u>5,908,776</u>	<u>6,193,785</u>
<b>Provisions for liabilities</b>			
Deferred tax	19	(6,464)	-
		<u>(6,464)</u>	<u>-</u>
<b>Net assets</b>		<u><u>5,902,312</u></u>	<u><u>6,193,785</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	1,000	1,000
Profit and loss account	21	5,901,312	6,192,785
		<u><u>5,902,312</u></u>	<u><u>6,193,785</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 March 2018.



**L A Lawson**  
Director

The notes on pages 10 to 23 form part of these financial statements.

# European Friction Industries Limited

## Statement of changes in equity For the year ended 31 October 2017

	Called up share capital £	Profit and loss account £	Total equity £
At 1 November 2016	1,000	6,192,785	6,193,785
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,458,527	1,458,527
<b>Total comprehensive income for the year</b>	-	1,458,527	1,458,527
Dividends: Equity capital (Note 22)	-	(1,750,000)	(1,750,000)
<b>Total transactions with owners</b>	-	(1,750,000)	(1,750,000)
<b>At 31 October 2017</b>	<b>1,000</b>	<b>5,901,312</b>	<b>5,902,312</b>

## 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 (Note 22)	-	(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>

The notes on pages 10 to 23 form part of these financial statements.

# European Friction Industries Limited

## Notes to the financial statements For the year ended 31 October 2017

### 1. General information

European Friction Industries Limited is a private company limited by shares and 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 2017.

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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment 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 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 2017 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 2017**

**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:

Depreciation is provided on the following basis:

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**

Stocks 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 2017**

**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 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. 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 2017

**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 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.

**Notes to the financial statements**  
**For the year ended 31 October 2017**

**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.

**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.

**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.

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

**2.17 Government grants**

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

**Notes to the financial statements**  
**For the year ended 31 October 2017**

**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 2017 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 £6,464 (2016: asset £2,413) 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. Operating profit**

The operating profit is stated after charging:

	2017	2016
	£	£
Foreign exchange loss/(gain)	271,834	(776,386)
Land and building operating lease rentals	194,050	238,020
Other operating lease rentals	13,434	13,327
Depreciation of owned fixed assets	128,853	105,524
Loss/(Profit) on disposal of fixed assets	10,466	(2,598)
	<u>          </u>	<u>          </u>

# European Friction Industries Limited

## Notes to the financial statements For the year ended 31 October 2017

### 6. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	12,200	13,750
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Non audit	3,200	3,133
Fees payable to company auditor in respect of non audit service are in relation to corporation tax compliance.		

### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	2,604,500	2,557,660
Social security costs	231,408	232,501
Cost of defined contribution scheme	58,442	54,164
	2,894,350	2,844,325

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

	2017 No.	2016 No.
Production	78	77
Administration	17	11
Warehouse	10	7
	105	95

# European Friction Industries Limited

## Notes to the financial statements For the year ended 31 October 2017

### 8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	75,104	74,215
Company contributions to defined contribution pension schemes	4,350	4,350
	<u>79,454</u>	<u>78,565</u>

During the year retirement benefits were accruing to 1 director (2016: 1) in respect of defined contribution pension schemes.

Management deem the directors included in the above analysis to be the only key management personnel within the entity.

### 9. Interest receivable

	2017 £	2016 £
Bank interest receivable	<u>8,545</u>	<u>185</u>

### 10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	<u>47</u>	<u>105</u>

### 11. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	341,121	568,013
<b>Total current tax</b>	<u>341,121</u>	<u>568,013</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	8,877	(29,524)
Adjustment in respect of prior year	-	(3,190)
Effect of tax rate change on opening balance	-	(1,594)
<b>Total deferred tax</b>	<u>8,877</u>	<u>(34,308)</u>
<b>Taxation on profit on ordinary activities</b>	<u>349,998</u>	<u>533,705</u>

Notes to the financial statements  
For the year ended 31 October 2017

**11. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.41% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>1,808,525</u>	<u>2,857,177</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.41% (2016 - 20%)	351,034	571,435
<b>Effects of:</b>		
Fixed asset differences	-	(6,836)
Expenses not deductible for tax purposes	224	181
Adjustments to tax charge in respect of prior periods - deferred tax	-	(34,690)
Adjust opening deferred tax to average of 19.4%	(343)	3,189
Adjust closing deferred tax to average rate of 19.4%	(917)	426
<b>Total tax charge for the year</b>	<u>349,998</u>	<u>533,705</u>

**Factors that may affect future tax charges**

The standard rate of corporation tax reduced to 19% on 1 April 2017. This rate has been used to measure deferred tax.

Notes to the financial statements  
For the year ended 31 October 2017

**12. Tangible fixed assets**

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
<b>Cost or valuation</b>				
At 1 November 2016	3,457,202	11,504	2,645,698	6,114,404
Additions	646,237	-	99,403	745,640
Disposals	(730,962)	(703)	-	(731,665)
At 31 October 2017	<u>3,372,477</u>	<u>10,801</u>	<u>2,745,101</u>	<u>6,128,379</u>
<b>Depreciation</b>				
At 1 November 2016	3,185,116	2,777	2,535,399	5,723,292
Charge for the year on owned assets	79,141	2,149	47,563	128,853
Disposals	(720,168)	(532)	-	(720,700)
At 31 October 2017	<u>2,544,089</u>	<u>4,394</u>	<u>2,582,962</u>	<u>5,131,445</u>
<b>Net book value</b>				
At 31 October 2017	<u>828,388</u>	<u>6,407</u>	<u>162,139</u>	<u>996,934</u>
At 31 October 2016	<u>272,086</u>	<u>8,727</u>	<u>110,299</u>	<u>391,112</u>

**13. Stocks**

	2017 £	2016 £
Raw materials	1,912,382	1,530,320
Work in progress	66,636	181,146
Finished goods and goods for resale	68,603	74,876
	<u>2,047,621</u>	<u>1,786,342</u>

Stock recognised in cost of sales during the year as an expense was £3,212,342 (2016: £2,603,710).

A gain to the profit and loss account of £17,118 (2016: £177,963) was recognised in cost of sales against stock during the year due to a movement in slow-moving and obsolete stock provision.

# European Friction Industries Limited

## Notes to the financial statements For the year ended 31 October 2017

### 14. Debtors

	2017 £	2016 £
Trade debtors	154,320	177,979
Amounts owed by group undertakings	2,966,409	4,522,619
Other debtors	7,569	81,785
Prepayments and accrued income	105,524	96,637
Corporation tax payable	110,809	-
Deferred taxation	-	2,413
	<u>3,344,631</u>	<u>4,881,433</u>

Amounts owed by group undertakings of £2,966,409 (2016: £4,522,619) relate to trading balances and do not accrue interest charges. The amounts due are repayable in line with trading terms.

### 15. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>748,142</u>	<u>915,634</u>

### 16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	421,681	537,864
Amounts owed to group undertakings	156,902	161,728
Corporation tax	-	363,620
Other taxation and social security	124,431	165,892
Accruals and deferred income	525,538	551,632
	<u>1,228,552</u>	<u>1,780,736</u>

Amounts owed to group undertakings of £156,902 (2016: £161,728) relate to trading balances and do not accrue interest charges. The amounts due are repayable in line with trading terms.

**Notes to the financial statements**  
For the year ended 31 October 2017

**17. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	3,981,964	5,794,654
	<u>3,981,964</u>	<u>5,794,654</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(1,104,121)	(1,251,224)
	<u>(1,104,121)</u>	<u>(1,251,224)</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, prepayments 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.

**18. 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 For the year ended 31 October 2017

### 19. Deferred taxation

	2017 £	2016 £
At beginning of year	2,413	(31,895)
Charged to profit or loss	(8,877)	34,308
<b>At end of year</b>	<b>(6,464)</b>	<b>2,413</b>

The deferred taxation balance is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(8,118)	1,581
Short term timing differences	1,654	832
	<b>(6,464)</b>	<b>2,413</b>

The amount of the net reversal of deferred tax expected to occur next year is £8,877 (2016: £29,524), relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on fixed assets.

### 20. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Authorised</b>		
350,000 Ordinary shares shares of £1 each	350,000	350,000
100,000 Preference shares shares of £1 each	100,000	100,000
	<b>450,000</b>	<b>450,000</b>
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares shares of £1 each	1,000	1,000

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

### 21. 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 2017

#### 22. Dividends

	2017 £	2016 £
Paid during the year	<u>1,750,000</u>	<u>3,300,357</u>

#### 23. Contingent liabilities

The Company is party to a guarantee in favour of H M Revenue & Customers for a maximum of £40,000 (2016: £40,000).

#### 24. Capital commitments

At the year end 31st October 2017, the Company had capital commitments worth £4,258 (2016: £486,279).

#### 25. Commitments under operating leases

At 31 October 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Within one year	13,434	12,200
Later than 1 year and not later than 5 years	<u>6,717</u>	<u>13,434</u>

#### 26. 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.

#### 27. Controlling party

On 1 November 2015 a new holding company was created for the group and shares in European Friction Industries Limited transferred from Freeman Automotive (UK) Limited to EBC Holdings Limited by way of a share for share exchange. Mr A C Freeman continues to be the ultimate controlling related party by virtue of his shareholding in EBC Holdings Limited.