

Registered number: 02002865

EUROPEAN FRICTION INDUSTRIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2022



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	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Peterbridge House The Lakes Northampton NN4 7HB
Bankers	HSBC Bank plc 22 Abington Street Northampton NN1 2AN
Solicitors	Franklins Solicitors LLP 8 Castilian Street Northampton NN1 1JX

EUROPEAN FRICTION INDUSTRIES LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Director's Report	4 - 5
Independent Auditor's Report	6 - 9
Statement of Income and Retained Earnings	10
Balance Sheet	11
Notes to the Financial Statements	12 - 24

EUROPEAN FRICTION INDUSTRIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2022

Introduction

The Director is please to present the Strategic Report and Financial Statements for the year ended 31 October 2022.

Business review

The Director and shareholder are satisfied with the performance during the year.

We believe that the Company is in a strong position to recover growth in the near future despite some global economic uncertainty and rising costs affecting both employment and supply chain costs and have adjusted prices progressively and in moderation to reflect modern day costs.

The Company's main business is brakes under the EBC trademark for the automotive enthusiast market and the Motorcycle and Utility vehicle industry. The EBC mark itself remains a main driver of the business and is a much sought after agency with its world renowned high quality, range and huge consumer support.

The Company's main focus and target segments are high end, enthusiast and performance braking products, rather than low price service parts and the motorcycle market which also remains buoyant and unaffected by fuel changes.

The Company has significant financial strength and can support ongoing business and investments comfortably.

In house manufacture accounts for over 80% of the products sold by the Company which has seen significant investments in research and machinery to support this.

Principal risks and uncertainties

The Company is well aware of the general market difficulties at present and whilst this could have a short term impact on the Company's sales and fluctuating distributor inventory levels, we believe that we can manage the issues that it creates without affecting the going concern basis statement.

The Group worldwide has a large stockholding itself and manages its finances without borrowings.

The existence of these financial instruments exposes the Group 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 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 but as the Company has no borrowings interest rates can be discounted and the only risk for the business is currencies.

Currency risk

The Company is potentially exposed to transaction foreign exchange risk although having sales almost equally balanced across three main trading currencies these risks balance out to a large extent. If considered necessary, transaction exposures, including those associated with forecast transactions may be hedged using forward currency contracts. Due to the balanced nature of currencies in which sales are achieved at present the Company has chosen not to take out any forward transactions at the present time.

Interest rate risk

The Company finances its operations through a mixture of retained profits and working capital and as the Company does not borrow, interest rates are ignored.

EUROPEAN FRICTION INDUSTRIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2022

Credit risk

The Company seeks to manage its credit risk by having a strong and highly desirable product range and brand dealing with established customers or otherwise checking the creditworthiness of new customers, establishing clear contractual relationships with those customers.

In order to manage credit risk of new and existing customers there are set limits based on a combination of payment history or external credit references. Credit limits are reviewed by the credit controller and Head of Finance on a regular basis in conjunction with debt ageing and collection history.

Financial key performance indicators

Gross profit margin

This has increased by 0.3% from 61.2% to 61.5%.

Growth in turnover

Turnover has increased by 1.0% from £9,777,495 to £9,872,969.

Other key performance indicators

Average number of employees has decreased by 5.3% from 94 to 89.

Director's statement of compliance with duty to promote the success of the Company

As required by Section 172 of the Companies Act, the Director of a Company must act in a way he considers, in good faith, would likely promote the success of the Company for the benefit of its Shareholder. All decisions are considered taking into account the impact of any decisions in the long term.

Employees

European Friction Industries Limited have always had regard for the interests of its employees and tries to engage the work force. The Company Director and Senior Management team work hard to create a positive environment with opportunities for its employees to reach their potential. Many of our employees have worked for European Friction Industries Limited for many years and the Company recognises long serving employees. European Friction Industries Limited offers stable employment to its employees.

Customers and Suppliers

The Company has strong trademarks and operates in a market where reputation is key to the longevity of the business and future opportunities. We use suppliers locally where possible and ensure payment to terms in order to ensure continuing supplies and service of the best quality.

Community and Environment

European Friction Industries Limited supports its local community by sourcing its labour needs locally wherever possible. It contributes to charities both locally and nationally. European Friction Industries Limited recognises its responsibility in reducing, where possible, its environmental impact, and communicating environmental awareness throughout the Company.


EUROPEAN FRICTION INDUSTRIES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2022**

Environmental Commitment

The Company's aim is to reduce levels of waste from company processes and, where practical, re use or recycle waste materials. Where practical, materials which constitute a significant part of the Company's processes will be sourced from environmentally responsible suppliers. The Company will monitor energy use and use energy efficiently, including investigating energy efficient technologies. The Company also has solar panels in order to generate energy environmentally. The Company will monitor fuel use and promote fuel efficiency through technology, careful planning and careful driving. The Company will provide employees with environmental training, instruction and procedures relevant to their tasks and responsibilities. The Company will ensure our activities do not create a nuisance to our neighbours by continuing to work sociably acceptable hours and regularly monitoring noise levels. Continual improvement and the setting of objectives and targets which are reviewed annually working to achieve a zero to landfill status.

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


.....
J A Hallett
Director

Date: 28/2/23

EUROPEAN FRICTION INDUSTRIES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 OCTOBER 2022

The Director presents his report and the financial statements for the year ended 31 October 2022.

Results and dividends

The profit for the year, after taxation, amounted to £1,514,072 (2021 - £1,272,571).

The dividends paid during the year amounted to £365,000 (2021: £215,150).

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 Director has 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 Director must not approve the financial statements unless he is 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 Director is required to:

- select suitable accounting policies for the Company's financial statements 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 to 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.

Future developments

The Company continues to prosper with its multi segment brake market approach embracing new industries such as electric vehicles and public transport braking systems to underpin its future whilst continuing to actively support its global existing customer base.

Qualifying third party indemnity provisions

During the period end 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 Director.

EUROPEAN FRICTION INDUSTRIES LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2022**

Disclosure of information to auditor

The Director at the time when this Director's Report is approved has confirmed that:

- so far as is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- 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, MHA MacIntyre Hudson, 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.


.....
J A Hallett
Director
Date: 28/2/23

EUROPEAN FRICTION INDUSTRIES LIMITED

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 2022, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes, 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 2022 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 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.

Conclusions relating to going concern

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

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

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

EUROPEAN FRICTION INDUSTRIES LIMITED

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Director is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Director's Report.

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

As explained more fully in the Director's Responsibilities Statement set out on page 4, 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 intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

EUROPEAN FRICTION INDUSTRIES LIMITED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiry of management and those charged with governance around actual and potential litigation and claims;
- enquiry of Company staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities including those leading to material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

EUROPEAN FRICTION INDUSTRIES LIMITED

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

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.



Richard Powell BA FCA (Senior Statutory Auditor)
for and on behalf of

MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
Northampton

Date:

28 February 2023

EUROPEAN FRICTION INDUSTRIES LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 OCTOBER 2022**

	Note	2022 £	2021 £
Turnover	4	9,872,969	9,777,495
Cost of sales		(3,799,550)	(3,788,980)
Gross profit		6,073,419	5,988,515
Administrative expenses		(4,207,459)	(4,403,460)
Other operating income	5	-	7,128
Operating profit	6	1,865,960	1,592,183
Interest payable and similar expenses	9	(86)	(38)
Profit before tax		1,865,874	1,592,145
Tax on profit	10	(351,802)	(319,574)
Profit after tax		1,514,072	1,272,571
Retained earnings at the beginning of the year		5,022,670	3,965,249
Profit for the year		1,514,072	1,272,571
Dividends declared and paid	11	(365,000)	(215,150)
Retained earnings at the end of the year		6,171,742	5,022,670

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of income and retained earnings.

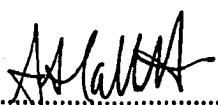
The notes on pages 12 to 24 form part of these financial statements.

EUROPEAN FRICTION INDUSTRIES LIMITED
REGISTERED NUMBER: 02002865

BALANCE SHEET
AS AT 31 OCTOBER 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	12		750,917		599,200
Current assets					
Stocks	13	3,096,877		2,254,328	
Debtors	14	3,480,582		2,975,760	
Cash at bank and in hand	15	680,380		896,597	
		<u>7,257,839</u>		<u>6,126,685</u>	
Creditors: amounts falling due within one year	16	(1,715,644)		(1,633,822)	
Net current assets			<u>5,542,195</u>		<u>4,492,863</u>
Total assets less current liabilities			<u>6,293,112</u>		<u>5,092,063</u>
Provisions for liabilities					
Deferred tax	18		(120,370)		(68,393)
Net assets			<u><u>6,172,742</u></u>		<u><u>5,023,670</u></u>
Capital and reserves					
Called up share capital	19		1,000		1,000
Profit and loss account	20		6,171,742		5,022,670
			<u><u>6,172,742</u></u>		<u><u>5,023,670</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J A Hallett
 Director

Date: 28/2/23

The notes on pages 12 to 24 form part of these financial statements.

EUROPEAN FRICTION INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

1. General information

European Friction Industries Limited is a private company limited by shares and incorporated in England and Wales.

The registered office and principal place of business is Enterprise House, 6/7 Bonville Road, Brislington, Bristol, BS4 5NZ.

The principal activity of the Company is the manufacture of brake components and systems for the Automotive, Motorcycle, Bus, Mountain bike and Railway Industries.

The Company's financial statements have been rounded to the nearest £1.

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 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 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of EBC Holdings Limited as at 31 October 2022 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

EUROPEAN FRICTION INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. 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.

2.5 Operating leases: the Company as lessee

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

EUROPEAN FRICTION INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

2. Accounting policies (continued)

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

EUROPEAN FRICTION INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Plant and machinery	-	25% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	25% per annum

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 profit or loss.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated 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 balance sheet 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 profit or loss.

2.12 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.

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

EUROPEAN FRICTION INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

2. Accounting policies (continued)

2.14 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.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

2.15 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.

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 2022, the Company recognised a deferred tax asset consisting of the tax effect of timing differences in respect of the excess of taxation allowances over depreciation upon fixed assets of £120,370 (2021: £68,393) on the basis that the Company is in a tax paying position.

Useful economic lives of tangible 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 rate for intangible assets. Management judgement is also required for estimating any net realisable values to be incorporated into depreciation methods.

Stock provision

The Company creates a stock provision for inventory that they deem as obsolete. The provision is based on management judgement of future sales for the following two years and whether the stock will be deemed to be obsolete at this point. At 31 October 2022, the company recognised a stock provision of £452,357 (2021: £561,504).

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

4. Turnover

The turnover and profit before 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 markets have not been disclosed as in the opinion of the director, this could be harmful to the company's interest.

5. Other operating income

	2022 £	2021 £
Government grants	-	7,128

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Land and building operating lease rentals	300,554	286,695
Exchange differences	(454,654)	87,420
Other operating lease rentals	5,858	10,663
Share based payment	176,642	180,770

7. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	13,750	13,250

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

8. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	2,908,671	2,626,389
Social security costs	279,923	240,846
Cost of defined contribution scheme	56,517	54,764
	<u>3,245,111</u>	<u>2,921,999</u>

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

	2022 No.	2021 No.
Production	65	68
Administration	14	15
Warehouse	10	11
	<u>89</u>	<u>94</u>

The Company believe that the only key management personnel is the sole Director.

The Director is fully remunerated through a fellow subsidiary company, Freeman Automotive (UK) Limited.

9. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	<u>86</u>	<u>38</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	<u>299,825</u>	<u>307,916</u>
Deferred tax		
Origination and reversal of timing differences	51,977	(6,258)
Effect of tax rate change on opening balance	-	17,916
Total deferred tax	<u>51,977</u>	<u>11,658</u>
Taxation on profit on ordinary activities	<u>351,802</u>	<u>319,574</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>1,865,874</u>	<u>1,592,145</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	354,516	302,508
Effects of:		
Fixed asset timing differences	(15,188)	652
Other timing differences leading to an increase (decrease) in taxation	12,474	16,414
Total tax charge for the year	<u>351,802</u>	<u>319,574</u>

Factors that may affect future tax charges

On 24 May 2021, the UK Government substantively enacted the increase in Corporation Tax rate from 19% to 25% with effect from 1 April 2023.

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

11. Dividends

	2022 £	2021 £
Paid during the year	<u>365,000</u>	<u>215,150</u>

12. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 November 2021	3,214,204	10,801	2,691,503	5,916,508
Additions	273,863	-	54,496	328,359
At 31 October 2022	<u>3,488,067</u>	<u>10,801</u>	<u>2,745,999</u>	<u>6,244,867</u>
Depreciation				
At 1 November 2021	2,812,135	8,779	2,496,394	5,317,308
Charge for the year on owned assets	121,389	506	54,747	176,642
At 31 October 2022	<u>2,933,524</u>	<u>9,285</u>	<u>2,551,141</u>	<u>5,493,950</u>
Net book value				
At 31 October 2022	<u>554,543</u>	<u>1,516</u>	<u>194,858</u>	<u>750,917</u>
At 31 October 2021	<u>402,069</u>	<u>2,022</u>	<u>195,109</u>	<u>599,200</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

13. Stocks

	2022 £	2021 £
Raw materials and consumables	2,919,350	2,050,384
Work in progress (goods to be sold)	128,960	173,714
Finished goods and goods for resale	48,567	30,230
	<u>3,096,877</u>	<u>2,254,328</u>

The stock recognised in cost of sales during the year as an expense was £3,318,042 (2021: £3,360,128).

Included in the figures above, the Company has recognised a stock provision of £452,357 (2021: £561,504).

14. Debtors

	2022 £	2021 £
Trade debtors	81,756	113,403
Amounts owed by group undertakings	3,134,162	2,706,411
Other debtors	184,239	83,264
Prepayments and accrued income	80,425	72,682
	<u>3,480,582</u>	<u>2,975,760</u>

15. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>680,380</u>	<u>896,597</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

16. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	426,633	436,617
Amounts owed to group undertakings	294,372	286,530
Corporation tax	116,524	265,587
Other taxation and social security	141,084	161,217
Other creditors	161,937	95,956
Accruals and deferred income	575,094	387,915
	<u>1,715,644</u>	<u>1,633,822</u>

17. Financial instruments

	2022 £	2021 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>4,050,557</u>	<u>3,799,675</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>882,942</u>	<u>723,147</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 comprised of financial instruments in relation to trade creditors, amounts owed to group undertakings and other creditors.

18. Deferred taxation

	2022 £	2021 £
At beginning of year	68,393	56,735
Charged to profit or loss	51,977	11,658
At end of year	<u>120,370</u>	<u>68,393</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2022**

18. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	123,601	71,428
Short term timing differences	(3,231)	(3,035)
	<u>120,370</u>	<u>68,393</u>

19. Share capital

	2022 £	2021 £
Authorised		
350,000 (2021 - 350,000) Ordinary shares of £1.00 each	350,000	350,000
100,000 (2021 - 100,000) Preference shares of £1.00 each	100,000	100,000
	<u>450,000</u>	<u>450,000</u>
Allotted, called up and fully paid		
1,000 (2021 - 1,000) Ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

20. Reserves**Profit and loss account**

Includes all current and prior periods retained profits and losses.

21. Capital commitments

At 31 October 2022 the Company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in these financial statements	<u>182,639</u>	<u>81,664</u>

EUROPEAN FRICTION INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2022

22. Pension commitments

The Company operates a defined contributions pension scheme. The asset of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £54,517 (2021: £54,764). At the year end, there were balances outstanding of £12,925 (2021: £12,141).

23. Commitments under operating leases

At 31 October 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Less than 1 year	-	5,858
	<u>-</u>	<u>5,858</u>

24. Controlling party

The immediate and ultimate parent company is EBC Holdings Limited, a company incorporated in England and Wales, whose registered office is located at EBC Brakes World Headquarters, Upton Valley Way East, Pineham, Northampton, NN4 9EF.

The financial statements of European Friction Industries Limited are included in the group financial statements of EBC Holdings Limited which are available from Companies House.

Mr A C Freeman is the company's controlling and ultimate controlling related party by virtue of his shareholding in EBC Holdings Limited.

25. Related party transactions

As a wholly owned subsidiary of EBC Holdings Limited, the company is exempt from the requirements of FRS 102 Section 33.7 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.