

ERLSON PRECISION HOLDINGS LIMITED

Financial Statements

Year ended 31 March 2019



ERLSON PRECISION HOLDINGS LIMITED

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ERLSON PRECISION HOLDINGS LIMITED

COMPANY INFORMATION

Directors

P A Clarkson
D P Haigh
L R Litwinowicz
P F Lombardi
P J Calderbank

Company secretary

L R Litwinowicz

Registered number

07198322

Registered office

5 The Courtyard
Timothy's Bridge Road
Stratford upon Avon
Warwickshire
United Kingdom
CV37 9NP

Independent auditor

Mazars LLP
Chartered Accountants & Statutory Auditor
45 Church Street
Birmingham
B3 2RT

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 March 2019.

BUSINESS REVIEW

During the year the Group acquired two foundry businesses that compliment the Group's customer base and technical capabilities, and will also diversify the market in which the Group operates.

Turbotech Precision Products Limited is a foundry casting impellers for the Turbocharger sector and Industrial Refrigeration sector. This acquisition gives the Group a greater capability in the manufacture of the rotating components of a Turbocharger, it is a business that has a common customer base with Erlson and offers a new market for manufacturing components for refrigeration compressors for large air conditioning applications.

Precision Investment Castings Limited is an investment foundry casting and machining components for Aerospace, Oil & Gas, Defence, Automotive and General Industrial sectors. This acquisition supports the Group's strategy of diversifying its target markets and diluting the Group reliance on the automotive sector. The acquisition will also offer the opportunity to vertically integrate the supply chain where the Group now has a capability to cast and machining components for a diverse number of markets.

The Group experienced a revenue increase of 10% year on year through the acquisition of Turbotech Precision Products Limited and Precision Investment Castings Limited during the year. Revenue from Continuing Operations were unchanged year on year due to a softening in the automotive market and uncertainty across Europe on the implications of Brexit.

Next year the Group is positioned for further growth larger within the two newly acquired businesses. Managing pricing pressures, increasing technical demands, cost control and foreign exchange rate volatility are key to ensuring the Group remains competitive in an increasingly competitive castings and machined components sectors.

PRINCIPAL RISKS & UNCERTAINTIES

The automotive sector remains the largest sector in which the Group operates, and it continues to be highly competitive; therefore competition from low-cost economies continues to be a threat. The Group operates a programme of continuous improvement of internal processes as well as investment in the latest technologies, and is alert to threat of competition.

The company is exposed to foreign currency exchange and commodity price risk as a result of its operations. This risk is managed in part through commercial negotiations and forward trading of currencies, and reviewing the most efficient processes are in place.

Continued European economic uncertainty also presents a significant risk to the company. Since the referendum vote in 2016, the Group has secured a number of long term agreements with its larger EU and US based customers. The company has geared up for possible disruptions in the supply chain by increasing stock and freeing up machining capacity as well as ensuring systems are in place for producing additional documentation required for potential customs clearance between the UK and the EU.

STRATEGIC REPORT

FINANCIAL REVIEW

The consolidated results for the year show a gross profit of £2.6million (2018: £2.2million) on a turnover of £19.2million (2018: £17.4million). This improvement in gross profit reflects the additional revenue generated from the acquisitions in the year. Revenue and Gross Profits from Continuing Operations are unchanged year on year at £17.4m (2018: £17.4million) and £2.2m (2018: £2.2million) respectively.

The resultant EBITDA for the year of £1.2m (2018: £1.6m) reflects additional transition costs of £0.3m following the acquisition of Precision Investment Castings Limited.

Group Net debt increased by £1.5m to £6.7m in 2019 as a result of the leveraged acquisition of Turbotech Precision Products Limited and Precision Investment Castings Limited.



PA Clarkson
Director
11 November 2019

DIRECTORS REPORT

The Directors present their report and financial statements for the year ended 31 March 2019.

DIRECTORS

The directors set out below have held office during the whole of the year from 1 April 2018 to the date of this report unless otherwise stated.

P A Clarkson
D P Haigh
L R Litwinowicz
P F Lombardi
P J Calderbank (appointed 11 June 2018)
M G Sale (resigned 30 April 2019)

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing the Strategic Report, Directors' Report and 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 satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- * select suitable accounting policies 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; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

BREXIT

The directors recognise the challenges the Group will face due to Brexit and are continuously analysing the scenarios and putting in place all the necessary measures to make sure Group does not incur any major impact after Brexit. The Directors have reasonable expectation that Brexit will not have any major impact on the Business.

DIRECTORS' INDEMNITY

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all the Company's directors.

DIRECTORS REPORT

FINANCIAL INSTRUMENTS

The Group uses various financial instruments. These include loans, cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. Their existence exposes the Group to a number of financial risks which are described in more detail below.

Currency risk

The Group is exposed to foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are assessed and hedging is considered where the risks facing the Group are outside acceptable limits.

Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group. Short-term flexibility is achieved by overdraft facilities. Longer term borrowing is achieved by utilising finance leases and bank loans when considered appropriate.

Interest rate risk

The Group finances its operations through a mixture of bank borrowings and finance leases. The Group's policy is to arrange bank overdrafts and loans with a floating rate of interest and to arrange finance leases with a fixed interest rate.

Credit risk

The principal credit risk arises from trade debtors.

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 controllers on a regular basis in conjunction with debt ageing and collection history.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- * so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- * each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

AUDITOR

Mazars LLP will continue in office in accordance with CA 2006 s487(2).

APPROVAL

This report was approved by the board on 11 November 2019 and signed on its behalf by:



PA Clarkson
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERLSON PRECISION HOLDINGS LIMITED

Opinion

We have audited the financial statements of Erlson Precision Holdings Limited (the parent company) and its subsidiaries (the Group) for the year ended 31 March 2019 which comprise consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the Group and Company statement of changes in equity, the consolidated statement of cash flows 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 4.

The terms on which the United Kingdom may withdraw from the European Union are not clear and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

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 group's or parent 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

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 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
ERLSON PRECISION HOLDINGS LIMITED**

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

Matters on which we are required to report by exception

In 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 Directors' 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 directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 group's and parent 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.

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 the audit 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.



Ian Holder (Senior Statutory Auditor)

For and on behalf of Mazars LLP, Chartered Accountants & Statutory Auditor
45 Church Street
Birmingham
B3 2RT

13 November 2019

ERLSON PRECISION HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 Continuing £	2019 Acquisitions £	2019 Total £	2018 Total £
TURNOVER	5	17,398,592	1,830,350	19,228,942	17,438,204
Cost of sales		(15,212,158)	(1,450,670)	(16,662,828)	(15,206,427)
GROSS PROFIT		2,186,434	379,680	2,566,114	2,231,777
Distribution costs		(308,237)	-	(308,237)	(229,015)
Administrative expenses		(1,522,905)	(252,097)	(1,775,002)	(1,343,269)
Exceptional costs		(260,827)	-	(260,827)	(19,941)
Other operating income		68,191	-	68,191	68,191
OPERATING PROFIT		162,656	127,583	290,239	707,743
Profit on disposal of tangible fixed assets		639,806	-	639,806	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		802,462	127,583	930,045	707,743
Interest payable and similar charges	10	(520,634)	(23,130)	(543,764)	(455,364)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	281,828	104,453	386,281	252,379
Taxation on profit on ordinary activities	11	(6,784)	194,183	187,399	136,225
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		275,044	298,636	573,680	388,604
Earnings before interest, taxation, depreciation and amortisation ('EBITDA')				1,225,942	1,595,817

There were no recognised gains and losses for 2018 or 2019 other than those included in the consolidated income statement.

The notes on pages 13 to 30 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	£	2019	£	£	2018	£
FIXED ASSETS							
Intangible assets	12		(196,958)			44,784	
Tangible assets	13		<u>6,126,695</u>			<u>6,425,297</u>	
			<u>5,929,737</u>			<u>6,470,081</u>	
CURRENT ASSETS							
Stocks	15	3,322,583			1,238,419		
Debtors	16	4,629,090			2,585,742		
Cash at bank and in hand		<u>407,233</u>			<u>5,106</u>		
		8,358,906			3,829,267		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	<u>(7,675,637)</u>			<u>(5,140,244)</u>		
NET CURRENT ASSETS/(LIABILITIES)			<u>683,269</u>			<u>(1,310,977)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,613,006</u>			<u>5,159,104</u>	
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18		<u>(4,293,460)</u>			<u>(3,843,315)</u>	
NET ASSETS			<u><u>2,319,546</u></u>			<u><u>1,315,789</u></u>	
CAPITAL AND RESERVES							
Called up share capital	20		16,799			9,748	
Capital redemption reserve			152			-	
Share premium			1,012,228			589,354	
Profit and loss account			<u>1,290,367</u>			<u>716,687</u>	
Shareholders' funds – equity interests			<u><u>2,319,546</u></u>			<u><u>1,315,789</u></u>	

Approved by the board on 11 November 2019 and signed on its behalf



PA Clarkson
Director

Registered number: 07198322

The notes on pages 13 to 30 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	2019	2018
		£	£
FIXED ASSETS			
Investments	14	4,316,505	1,691,084
CURRENT ASSETS			
Debtors: falling due within one year	16	-	1,431,380
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(1,595,245)	(29,158)
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,595,245)</u>	<u>1,402,222</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,721,260	3,093,306
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	<u>(1,581,860)</u>	<u>(2,406,598)</u>
NET ASSETS		<u>1,139,400</u>	<u>686,708</u>
CAPITAL AND RESERVES			
Called up share capital	20	16,799	9,748
Capital redemption reserve		152	-
Share premium account		1,012,228	589,354
Profit and loss account		110,221	87,606
Shareholders' funds – equity interests		<u>1,139,400</u>	<u>686,708</u>

The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The parent Company's profit for the year was £22,615 (2018: profit £144,304).

Approved by the board on 11 November 2019 and signed on its behalf



PA Clarkson
Director

Registered number: 07198322

The notes on pages 13 to 30 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED
STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 March 2019

GROUP	Share capital £	Share premium account £	Capital redemption reserve £	Profit & loss account £	Total £
At 1 April 2017	9,748	589,354	-	328,083	927,185
Comprehensive income for the year					
- Profit for the year	-	-	-	388,604	388,604
Other comprehensive income for the year					
	-	-	-	-	-
At 31 March 2018	9,748	589,354	-	716,687	1,315,789
Comprehensive income for the year					
- Profit for the year	-	-	-	573,680	573,680
Other comprehensive income for the year					
Shares issued in year	7,203	432,096	-	-	439,299
Shares redeemed in year	(152)	(9,222)	152	-	(9,222)
At 31 March 2019	16,799	1,012,228	152	1,290,367	2,319,546
COMPANY	Share capital £	Share premium account £	Capital redemption reserve £	Profit & loss account £	Total £
At 1 April 2017	9,748	589,354	-	(56,698)	542,404
Comprehensive income for the year					
- Profit for the year	-	-	-	144,304	144,304
Other comprehensive income for the year					
	-	-	-	-	-
At 31 March 2018	9,748	589,354	-	87,606	686,708
Comprehensive income for the year					
- Profit for the year	-	-	-	22,615	22,615
Other comprehensive income for the year					
Shares issued in year	7,203	432,096	-	-	439,299
Shares redeemed in the year	(152)	(9,222)	152	-	(9,222)
At 31 March 2019	16,799	1,012,228	152	110,221	1,139,400

ERLSON PRECISION HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2019

	2019		2018	
	£	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES				
Profit for the financial year		573,680		388,604
Adjustments for:				
Depreciation of tangible assets	921,228		843,595	
Amortisation of intangible assets	(634)		20,501	
Profit on disposal of tangible fixed assets	(639,806)		-	
Interest paid	543,765		455,364	
Taxation	(187,399)		(136,225)	
Movement in trade and other receivables	(478,364)		39,789	
Movement in inventories	(242,782)		(162,638)	
Movement in trade payables	8,564		558,649	
Cash from operations		(75,428)		1,619,035
Income taxes paid refunded		180,008		188,961
Net cash generated from operating activities		678,260		2,196,600
Cash flows from investing activities				
Proceeds from sale of tangible fixed assets	1,459,150		-	
Purchases of tangible fixed assets	(365,860)		(954,551)	
Purchase of intangible fixed assets	(4,980)		-	
Hire purchase interest paid	(191,129)		(181,428)	
Acquisition of subsidiary undertaking	(2,625,421)		-	
Net cash acquired on acquisition of subsidiary	(64,220)		-	
Net cash from investing activities		(1,792,460)		(1,135,979)
Cash flows from financing activities				
New loans received	2,197,928		-	
Issues of shares including share premium	430,077		-	
Repayment of finance lease obligations	(358,864)		(561,092)	
Repayment of other loans	(400,109)		(525,121)	
Interest paid	(352,705)		(273,936)	
Net cash used in financing activities		1,516,327		(1,360,149)
Net increase/(decrease) in cash and cash equivalents		402,127		(299,528)
Cash and cash equivalents at beginning of year		5,106		304,634
Cash and cash equivalents at the end of year		407,233		5,106
Cash at bank and in hand		407,233		5,106

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. GENERAL INFORMATION

Erlson Precision Holdings Limited is a company limited by shares, incorporated in England and Wales. Its registered office is 5 The Courtyard, Timothys Bridge Road, Stratford-upon-avon, Warwickshire, CV37 9NP. The principal activity of the Group is that of a specialist manufacture of high precision components for automotive chargers, fuel delivery and brake line applications. The Group operates within the UK.

2. STATEMENT OF COMPLIANCE

The financial statements of Erlson Precision Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and amortised. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

(b) Going concern

The financial statements have been prepared on a going concern basis. The Company's and Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report. The Company's and Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company and Group should be able to manage business risk successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency

(i) Functional and presentation currency

The Group's functional and presentation currency is pounds sterling.

(ii) 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 the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expense) / income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses)/gains'.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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:

(i) Sale of goods

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the amount of revenue can be measured reliably; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(e) Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual company financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed assets

All fixed assets, other than investment properties, are initially recorded at cost and subsequently measured at cost less depreciation and any provision for impairment.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

(g) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	- up to 50 years
Plant and machinery	- between 5 and 15 years
Computer equipment	- over 3 years

(h) Intangible fixed assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Income Statement over its useful economic life of five years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(j) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost or net realisable value. In the case of work in progress and finished goods, cost comprises direct materials and direct labour calculated on a first-in-first-out basis. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(k) Pension costs

Defined contribution scheme

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

The contributions are recognised as an expense in the Consolidated Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Operating leases

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

This liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(m) Current taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(n) Deferred taxation

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date with certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

(o) Financial instruments

The Group 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 and loans to related parties.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

(p) Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

(q) Provisions for liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(r) Research and development expenditure**

Expenditure on research and development is written off against profits on ordinary activities as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the income statement as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

4. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of property plant and equipment and the depreciation accounting policy note above for the useful economic lives for each class of asset.

5. TURNOVER

The whole of the turnover is attributable to the specialist manufacture of high precision components for automotive chargers, fuel delivery and brake line applications.

The Group operates in the United Kingdom.

	2019	2018
	£	£
Turnover is analysed by geographical destination as follows:		
United Kingdom	3,799,400	2,386,188
Rest of the World	15,429,542	15,052,016
	<u>19,228,942</u>	<u>17,438,204</u>

ERLSON PRECISION HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2019

6. EMPLOYEE INFORMATION

	2019 £	2018 £
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	8,607,513	7,260,979
Social security costs	845,237	690,625
Other pension costs	249,474	186,322
	<u>9,702,224</u>	<u>8,137,926</u>

The average number of persons (including executive directors) employed during the year is analysed below:

	2019 No.	2018 No.
Production	208	201
Selling and distribution	58	52
Administration	12	5
	<u>278</u>	<u>258</u>

7. PROFIT ON ORDINARY ACTIVITIES

	2019 £	2018 £
Profit on ordinary activities is stated after charging/(crediting):-		
Depreciation of tangible fixed assets	921,228	847,632
Amortisation of intangible assets	14,475	20,501
Amortisation of negative goodwill	(15,109)	-
Profit on disposal of tangible fixed assets	(639,806)	-
Other operating lease rentals	21,750	36,942
	<u>21,750</u>	<u>36,942</u>

ERLSON PRECISION HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 March 2019**8. AUDITOR'S REMUNERATION**

	2019 £	2018 £
Fees payable to the Company's auditors		
Audit of the Company's annual accounts	4,500	2,500
Other services	61,228	100
Fees payable to the Company's auditors for other services to the Group		
Audit of subsidiary companies' accounts	25,500	12,100
Other services	450	225
	<u>91,678</u>	<u>14,925</u>

9. DIRECTORS' EMOLUMENTS

Emoluments paid to the directors of Erlson Precision Holdings Limited were as follows:

	2019 £	2018 £
Directors' emoluments	574,281	225,569
Pension contributions	28,472	19,663
	<u>602,753</u>	<u>245,232</u>

The number of Directors who accrued benefits under Company pension schemes was four (2018 – four). The highest paid Director received emoluments of £230,633 (2018: £97,017) and £8,775 (2018: £8,775) was paid by the Group into his money purchase pension scheme.

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £	2018 £
Interest payable and similar charges on amounts due within five years:		
Other loan interest payable	329,506	273,936
Finance leases and hire purchase contracts	191,129	181,428
	<u>520,635</u>	<u>455,364</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

11. TAXATION

	2019 £	2018 £
(a) Analysis of charge in the year		
Current tax:		
UK corporation tax on profit for the year	(312,014)	(102,540)
Adjustment in respect of previous years	40	(565)
	<u>(311,974)</u>	<u>(103,105)</u>
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	124,575	(33,120)
Adjustment in respect of previous years	-	-
	<u>124,575</u>	<u>33,120</u>
Tax on profit on ordinary activities (see (b) below)	<u>(187,399)</u>	<u>(136,225)</u>
(b) Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	386,281	252,379
Profit on ordinary activities multiplied by the relevant rate of Corporation tax in the UK of 19.00% (2018: 19.00%)	73,393	47,952
Effects of:		
Capitalised expenses not deductible for tax purposes	3,130	(25,326)
Other short term timing differences	(12,183)	(28,236)
Adjustment in respect of prior years	40	(565)
Adjustment in research and development tax credit	312,014	102,540
Unprovided deferred tax	-	(70,717)
Enhanced research and development expenditure	(563,793)	(128,753)
Deferred tax recognised on brought forward losses	-	(33,120)
Current tax charge for year (see (a) above)	<u>(187,399)</u>	<u>(136,225)</u>

(c) Factors that may affect future tax charges

No deferred tax asset has been recognised on brought forward trading losses in certain subsidiaries based on the uncertainty of the assets being recovered.

ERLSON PRECISION HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019
12. INTANGIBLE FIXED ASSETS

	Software £	Negative goodwill £	Total £
Cost			
At 1 April 2018	117,885	(3,751,974)	(3,634,089)
Additions	4,980	(247,356)	(242,376)
At 31 March 2019	<u>122,865</u>	<u>(3,999,330)</u>	<u>(3,876,465)</u>
Amortisation			
At 1 April 2018	73,101	(3,751,974)	(3,678,873)
Charge for the year	14,475	(15,109)	(634)
At 31 March 2019	<u>87,576</u>	<u>(3,767,083)</u>	<u>(3,679,507)</u>
Net book value			
At 31 March 2019	<u>35,289</u>	<u>(232,247)</u>	<u>(196,958)</u>
At 31 March 2018	<u>44,784</u>	<u>-</u>	<u>44,784</u>

During the year the Group acquired all the share capital of Turbotech Precision Products and Precision Investment Castings Limited. The book value and fair value to the Group at the date of acquisition were as follows:

<i>Book value and fair value to Group</i>	<i>Turbotech Precision Products Limited £</i>	<i>Precision Investment Castings Limited £</i>	<i>Total £</i>
<u>Net assets acquired</u>			
Tangible fixed assets	326,323	210,033	536,356
Debtors	790,262	772,623	1,562,885
Stock	423,627	1,417,755	1,841,382
Cash	386,086	(450,306)	(64,220)
Creditors: less than one year	(239,847)	(758,487)	(998,334)
Corporation tax	(7,092)	84,600	77,508
Provisions for liabilities – deferred tax	(58,563)	(24,237)	(82,800)
Net assets	<u>1,620,796</u>	<u>1,251,981</u>	<u>2,872,777</u>
100% share acquired	1,620,796	1,251,981	2,872,777
Goodwill arising	841,012	(1,088,368)	(247,356)
Consideration including legal fees	<u>2,461,808</u>	<u>163,613</u>	<u>2,625,421</u>
Discharged by:			
Cash	<u>2,461,808</u>	<u>163,613</u>	<u>2,625,421</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13. TANGIBLE FIXED ASSETS

GROUP	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation						
At 1 April 2018	1,300,744	31,049,988	-	-	118,661	32,469,393
Acquired on acquisition	-	1,787,773	19,779	39,268	19,221	1,866,041
Additions	7,865	876,351	-	-	21,399	905,615
Disposals	(1,308,609)	(9,000)	-	-	-	(1,317,609)
At 31 March 2019	-	33,705,112	19,779	39,268	159,281	33,923,440
Accumulated depreciation						
At 1 April 2018	478,560	25,477,850	-	-	87,686	26,044,096
Acquired on acquisition	-	1,285,815	14,406	22,974	6,490	1,329,685
Provided in year	19,303	878,946	474	883	21,622	921,228
Eliminated on disposals	(497,863)	(401)	-	-	-	(498,264)
At 31 March 2019	-	27,642,210	14,880	23,857	115,798	27,796,745
Net book value						
At 31 March 2019	-	6,062,902	4,899	15,411	43,483	6,126,695
At 31 March 2018	822,184	5,572,138	-	-	30,975	6,425,297

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Plant and machinery	950,753	2,237,530

ERLSON PRECISION HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2019

14. FIXED ASSET INVESTMENTS

INVESTMENTS IN GROUP UNDERTAKINGS

	Total £
At 1 April 2018	1,691,084
Additions	2,625,421
At 31 March 2019	4,316,505

The following are the Company's principal subsidiary undertakings:

Name of subsidiary undertaking	Country of incorporation	Class of shares held	Proportion of nominal value of issued shares held	Nature of business
Erlson Precision Components Limited	England	Ordinary	100%	#1
TPP Compressors Limited	England	Ordinary	100%	#2
Precision Investments Castings Limited	England	Ordinary	100%	#3
Turbotech Precision Products Limited	England	Ordinary	100%	#4
#1 Specialist manufacture of high precision components for automotive chargers, fuel delivery and brake line applications.				
#2 Dorman investment holding				
#3 Specialist Investment Casting Foundry and CNC Machinist manufacturing components for the aerospace, oil & gas, defence and automotive sectors.				
#4 Specialist Plaster Mould Casting Foundry and CNC Machinist manufacturing components for the automotive and industrial refrigeration sectors.				

15. STOCKS

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Raw materials and consumables	2,339,123	512,510	-	-
Work in progress	522,890	279,717	-	-
Finished goods	460,570	446,192	-	-
	<u>3,322,583</u>	<u>1,238,419</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

ERLSON PRECISION HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019
16. DEBTORS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year:-				
Trade debtors	3,554,103	1,867,159	-	-
Due from Group undertakings	-	-	-	1,431,380
Other debtors	98,045	33,211	-	-
Prepayments and accrued income	588,740	299,269	-	-
Tax recoverable	312,014	102,540	-	-
Deferred taxation	76,188	283,563	-	-
	<u>4,629,090</u>	<u>2,585,742</u>	<u>-</u>	<u>1,431,380</u>

17. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Other loans	3,244,608	1,627,280	-	-
Trade creditors	3,402,111	2,611,447	-	-
Due to Group undertakings	-	-	1,556,240	-
Other taxation and social security	317,763	170,178	-	-
Obligations under finance leases and hire purchase contracts	277,425	481,761	-	-
Accruals and deferred income	433,730	249,578	39,005	29,158
	<u>7,675,637</u>	<u>5,140,244</u>	<u>1,595,245</u>	<u>29,158</u>

Included in the other loans balance is £2,886,372 (2018: £1,294,280) which is secured by a fixed and floating charge over the trade debtors of the company. The remaining balance of £358,236 (2018: £333,000) are secured by a fixed and floating charge over the assets of the company.

Obligations under finance leases and hire purchase contracts are secured by the related assets, bear interest at normal commercial rates and are wholly repayable within five years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

18. CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Other loans	2,903,156	2,722,665	1,172,029	1,949,383
Other creditors	262,184	330,372	-	-
Obligations under finance leases and hire purchase contracts	718,289	333,063	-	-
Accruals and deferred income	409,831	457,215	409,831	457,215
	<u>4,293,460</u>	<u>3,843,315</u>	<u>1,581,860</u>	<u>2,406,598</u>
Obligations under finance leases are repayable as follows:				
Within one year	277,425	481,761	-	-
Within 2 – 5 years	718,289	333,063	-	-
	<u>995,714</u>	<u>814,824</u>	<u>-</u>	<u>-</u>

Amounts due to Group undertakings have no fixed repayment date and are interest free.

Included in the other loans balance is £1,731,127 (2018: £773,282) which is secured by a fixed and floating charge over the assets of the company. The remaining balance of £1,172,029 (2018: £1,949,383) relates to shareholder loans, security and interest rates payable are stated in note 21.

Obligations under finance leases and hire purchase contracts are secured by related assets and bear finance charges at fixed commercial rates and are wholly repayable within five years.

ERLSON PRECISION HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

19. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax asset £
Provisions at start of year	283,563
Acquired on acquisition	(82,800)
Charged to profit and loss	(124,575)
Provision at end of year	<u>76,188</u>

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Provision for deferred taxation				
Accelerated capital allowances	(504,907)	-	-	-
Trading losses carried forward	581,095	283,563	-	-
Other timing differences	-	-	-	-
	<u>76,188</u>	<u>283,563</u>	<u>-</u>	<u>-</u>
Provision at start of year	283,563	250,443	-	-
Deferred tax charge for the year	(124,575)	33,120	-	-
Arising on business acquisition	(82,800)	-	-	-
Provision at end of year	<u>76,188</u>	<u>283,563</u>	<u>-</u>	<u>-</u>

20. SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid:-		
1,525,794 (2018 - 946,009) Ordinary shares of £0.01 each	15,258	9,460
154,139 (2018 - 28,769) B Ordinary shares of £0.01 each	1,541	288
	<u>16,799</u>	<u>9,748</u>

During the year 573,016 Ordinary shares of £0.01 each were issued at a premium of £0.605 per share generating a premium on issue of £346,961.

During the year 6,769 Ordinary shares of £0.01 each were issued at par.

During the year 140,601 B Ordinary shares of £0.01 each were issued at a premium of £0.605 per share generating a premium on issue of £85,135.

During the year 15,231 B Ordinary Shares of £0.01 each were redeemed. The premium attached to these shares was £0.605 per share totalling £9,222.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

21. LOANS

Analysis of the maturity of loans is given below:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year:				
Other loans	3,244,608	1,627,280	-	-
Amounts falling due within 2-5 years:				
Other loans	2,903,156	2,722,665	-	-
	<u>6,147,764</u>	<u>4,349,945</u>	<u>-</u>	<u>-</u>

Amounts falling due within one year

Included in the other loans balance is £2,886,372 (2018: £1,294,280) which is secured by a fixed and floating charge over the trade debtors of the company. The remaining balance of £358,236 (2018: £333,000) are secured by a fixed and floating charge over the assets of the company.

Amounts falling due within 2-5 years

Included in the other loans balance is £1,731,127 (2018: £773,282) which is secured by a fixed and floating charge over the assets of the group.

Included in other loans are 'A', 'B' and 'Unsecured loan notes of £1,172,029 (2018: £1,949,383) due to the shareholders. Loan notes 'A' (£572,646) are secured by a second charge over the assets of the group and are due for repayment on 30 December 2020. These loan notes attract interest at the rate of 6% per annum which will also be due for payment on redemption of the notes.

Loan notes 'B' (£349,383) are secured by a third charge over the assets of the group and are due for repayment on 1 January 2021. These loan notes attract interest at the rate of 8% per annum which will also be due for payment on redemption of the notes.

Unsecured Loan Notes (£250,000) attract interest at the rate of 6% per annum, are unsecured and are repayable in full on 31 March 2019.

22. OPERATING LEASE COMMITMENTS

At 31 March 2019 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Land and buildings		
No later than one year	333,287	9,000
Later than one year and not later than five years	1,337,627	12,750
Later than five years	2,584,332	-
	<u>4,255,246</u>	<u>21,750</u>
Other		
No later than one year	127,152	40,941
Later than one year and not later than five years	240,631	34,742
Later than five years	-	-
	<u>367,783</u>	<u>75,683</u>

The Company has no operating leases.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

23. PENSION COMMITMENTS

Defined contribution pension scheme

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £249,474 (2018: £158,676).

Contributions totalling £48,915 (2018: £27,279) were payable to the fund at the balance sheet date and are included in creditors.

24. RELATED PARTY TRANSACTIONS

The group has taken the exemption under section 33 of FRS 102 to not disclose transactions or balances with other qualifying group companies.

All related party transactions with key members of management personnel, including the directors, during the period were on an arms-length basis.

25. FINANCIAL INSTRUMENTS

The capital structure of the Group and Company includes borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital and retained earnings as disclosed in the Statement of Changes in Equity.

Categories of financial instruments

Financial assets / (liabilities) at amortised cost:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash and bank balances	407,233	5,106	-	-
Trade debtors and other receivables (note 16)	3,652,148	1,900,370	-	-
Amounts owed by/(to) Group undertakings:				
Inter-company loan receivables (note 16)	-	-	-	1,431,380
Inter company loans repayable (note 17)	-	-	(2,409,240)	-
Trade creditors and other payables (note 17)	(3,719,874)	(2,781,625)		
Obligations under finance lease and hire purchase contracts	(995,714)	(814,824)	-	-
Other loans (notes 17 and 18)	(6,147,764)	(4,349,945)	(1,172,029)	(1,949,383)
	<u>(6,803,971)</u>	<u>(6,040,918)</u>	<u>(3,581,269)</u>	<u>(518,003)</u>