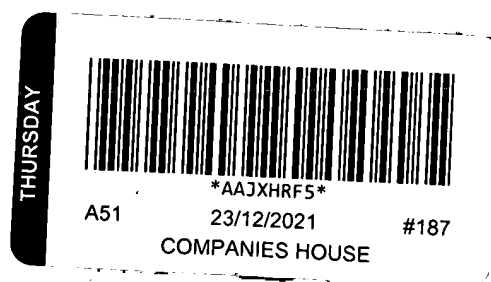


Erlson Precision Holdings Limited

Registered number: 07198322

Directors' report and financial statements

For the year ended 31 March 2021



ERLSON PRECISION HOLDINGS LIMITED

COMPANY INFORMATION

Directors	P J Calderbank P A Clarkson D P Haigh 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 First Floor Two Chamberlain Square Birmingham B3 3AX

ERLSON PRECISION HOLDINGS LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 2
Directors' Report	3 - 5
Independent Auditor's Report	6 - 9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15 - 16
Analysis of Net Debt	16
Notes to the Financial Statements	17 - 37

ERLSON PRECISION HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Business review

The Group's revenues in 2021 were slightly lower than the prior year at £18.1million (2020: £18.2million) despite the impact of the Covid-19 pandemic in the first half of the year when many of the Group's automotive customers closed their operations during the first quarter 2020/21.

In the second half of the year revenues were 31% higher than the same period in the previous year reflecting the recovery of the 2019 Global Truck market and further penetration into the market of our customers new generation Turbocharger platforms. In addition, customers in the industrial sector also saw an increase in demand. As a result, EBITDA for the year increased by £2.3million versus the prior year.

Looking forward into 2021/22, automotive customer demand continues to show a recovery on legacy products and further penetration of newer turbocharger applications for more fuel efficient engine and hybrid platforms. The industrial orderbook is expected to continue to be strong versus 2020.

The Group continues to work closely with its customers developing components to improve power generation efficiency, range and component longevity as well as developing the application for environmentally friendly platforms. In the year the Group's expenditure on research and development was lower than the prior year at £1.5m (2020: £2.1million) due to the impact of the Covid-19 pandemic on internal and customer projects.

Overall, turnover for 2021/22 is expected to increase by c.30%.

Principal risks and uncertainties

The automotive sector remains the largest sector in which the Company operates, and it continues to be highly competitive; therefore competition from low-cost economies continues to be a threat. The Company 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 ensuring 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 Company secured a number of long term agreements with its larger EU and US based customers. The Company 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.

Impact of COVID-19

During 2019/20 and 2020/21 the business has been impacted by Covid-19 and the resultant economic lockdowns. The Company has applied for Coronavirus Job Retention Scheme Grants through 2020/21 where eligible employees have been furloughed as a result of the pandemic. During April 2020 approximately 80% of the Company's employees were placed on furlough as a result of the UK and wider European lockdown. The Company has continued to operate during the pandemic by adhering to the latest UK guidelines to ensure employees are working in a safe environment.

The outbreak of COVID-19 affected the company and group in 2021. Risk assessments have been carried out and will be updated on an ongoing basis to protect employees against infection risk and to ensure stable services. Several measures have been taken to reduce the risk of infection and mitigate the impact on the company, like the Coronavirus Job Retention Scheme. There are no known current consequences for the company and group with the COVID-19 virus, but longer term consequences cannot be ruled out and this is being monitored by the management.

ERLSON PRECISION HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Financial key performance indicators

The results for the year show an improvement to gross profits resulting in a reduction in the loss before tax to £1.7million (2020: loss £4.1million) on a static turnover of £18.1million (2020: £18.2million).

The resultant EBITDA for the year was £0.5million (2020: loss £1.7million).

Net debt remained unchanged in the year at £8.8million.

This report was approved by the board on 21 December 2021 and signed on its behalf.



P A Clarkson
Director

ERLSON PRECISION HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the 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 for the Group'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 Group will continue in business.

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

Results and dividends

The loss for the year, after taxation, amounted to £1,218,744 (2020 - loss £3,380,342).

The directors have not paid or proposed any dividends during the year (2020: £Nil).

Directors

The directors who served during the year were:

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

Qualifying third party indemnity provisions

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.

ERLSON PRECISION HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

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

Going concern

The Directors have prepared a going concern assessment based on forecasts for a period up to March 2023, including realistic downside scenarios. They have considered the current risks and opportunities facing the Company, and the Group of which this company heads, and their potential impact on the cash flows expected to be generated.

The Directors believe that the prospects for the business are positive and that on the basis of these forecasts, and on-going trading performance to date, the Directors have concluded that the Company and the group can continue to service its financial obligations as they fall due.

Disclosure of information to auditor

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

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

ERLSON PRECISION HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Post balance sheet events

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

Auditor

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

This report was approved by the board on 21 December 2021 and signed on its behalf.



P A Clarkson
Director

ERLSON PRECISION HOLDINGS LIMITED

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 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity 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 Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's loss 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 Group 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 directors' 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 Group's or the parent 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 directors with respect to going concern are described in the relevant sections of this report.

ERLSON PRECISION HOLDINGS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERLSON PRECISION HOLDINGS 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 directors are 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 Group 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 Group 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 the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 the 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

ERLSON PRECISION HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERLSON PRECISION HOLDINGS 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 Group 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. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation and employment regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

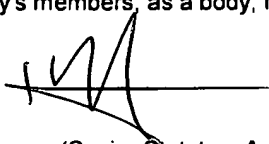
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

ERLSON PRECISION HOLDINGS LIMITED

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



Paul Johnson (Senior Statutory Auditor)

for and on behalf of
Mazars LLP

Chartered Accountants
Statutory Auditor

First Floor
Two Chamberlain Square
Birmingham
B3 3AX

Date: 23/12/21

ERLSON PRECISION HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £	2020 £
Turnover	4	18,067,394	18,164,420
Cost of sales		(17,162,279)	(18,237,866)
Gross profit/(loss)		<u>905,115</u>	<u>(73,446)</u>
Distribution costs		(338,437)	(385,389)
Administrative expenses		(1,988,977)	(2,318,816)
Exceptional administrative expenses		(584,393)	(911,515)
Other operating income	5	873,962	71,013
Operating loss	6	<u>(1,132,730)</u>	<u>(3,618,153)</u>
Interest receivable and similar income		-	143
Interest payable and similar expenses	10	(535,962)	(440,221)
Loss before taxation		<u>(1,668,692)</u>	<u>(4,058,231)</u>
Tax on loss	11	449,948	677,889
Loss for the financial year		<u>(1,218,744)</u>	<u>(3,380,342)</u>
(Loss) for the year attributable to:			
Owners of the parent Company		(1,218,744)	(3,380,342)
		<u>(1,218,744)</u>	<u>(3,380,342)</u>

There were no recognised gains and losses for 2021 or 2020 other than those included in the consolidated statement of comprehensive income.

The notes on pages 17 to 37 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED
REGISTERED NUMBER: 07198322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	12	(83,434)	(110,890)
Tangible assets	13	5,151,026	5,846,102
		<u>5,067,592</u>	<u>5,735,212</u>
Current assets			
Stocks	15	2,518,586	3,492,850
Debtors: Amounts falling due within one year	16	4,470,730	4,280,777
Cash at bank and in hand	17	57,172	19,677
		<u>7,048,488</u>	<u>7,793,304</u>
Total assets		<u>12,114,080</u>	<u>13,528,516</u>
Capital and reserves			
Called up share capital	24	16,799	16,799
Share premium account		1,012,228	1,012,228
Capital redemption reserve		152	152
Profit and loss account		(3,308,719)	(2,089,975)
		<u>(2,279,540)</u>	<u>(1,060,796)</u>
Provisions for liabilities		4,802	14,780
Creditors: Amounts Falling Due Within One Year	18	7,448,152	9,031,926
Creditors: Amounts Falling Due After More Than One Year	19	6,940,666	5,542,606
Total liabilities		<u>12,114,080</u>	<u>13,528,516</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2021.



P A Clarkson
Director

The notes on pages 17 to 37 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED
REGISTERED NUMBER: 07198322

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Fixed assets			
Investments		4,379,160	4,379,160
		<u>4,379,160</u>	<u>4,379,160</u>
Current assets			
Debtors: Amounts falling due within one year	16	1,509,227	1,592,344
Cash at bank and in hand	17	391	535
		<u>1,509,618</u>	<u>1,592,879</u>
Total assets		<u>5,888,778</u>	<u>5,972,039</u>
Capital and reserves			
Called up share capital	24	16,799	16,799
Share premium account		1,012,228	1,012,228
Capital redemption reserve		152	152
Profit and loss account		100,977	110,236
		<u>1,130,156</u>	<u>1,139,415</u>
Creditors: amounts falling due within one year	18	1,752,329	2,304,631
Creditors: amounts falling due after more than one year	19	3,006,293	2,527,993
Total liabilities		<u>5,888,778</u>	<u>5,972,039</u>

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



P A Clarkson
Director

Date: 21 December 2021

ERLSON PRECISION HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2019	16,799	1,012,228	152	1,290,367	2,319,546
Comprehensive income for the year					
Loss for the year	-	-	-	(3,380,342)	(3,380,342)
Total comprehensive income for the year	-	-	-	(3,380,342)	(3,380,342)
At 1 April 2020	16,799	1,012,228	152	(2,089,975)	(1,060,796)
Comprehensive income for the year					
Loss for the year	-	-	-	(1,218,744)	(1,218,744)
Total comprehensive income for the year	-	-	-	(1,218,744)	(1,218,744)
At 31 March 2021	16,799	1,012,228	152	(3,308,719)	(2,279,540)

The notes on pages 17 to 37 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2019	16,799	1,012,228	152	110,221	1,139,400
Comprehensive income for the year					
Profit for the year	-	-	-	15	15
Total comprehensive income for the year	-	-	-	15	15
At 1 April 2020	16,799	1,012,228	152	110,236	1,139,415
Comprehensive income for the year					
Loss for the year	-	-	-	(9,259)	(9,259)
Total comprehensive income for the year	-	-	-	(9,259)	(9,259)
At 31 March 2021	16,799	1,012,228	152	100,977	1,130,156

The notes on pages 17 to 37 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(1,218,744)	(3,380,342)
Adjustments for:		
Amortisation of intangible assets	(25,996)	(23,413)
Depreciation of tangible assets	1,047,591	992,456
Interest paid	535,962	440,221
Interest received	-	(143)
Taxation credit	(449,948)	(677,889)
Decrease/(increase) in stocks	974,264	(170,267)
(Increase)/decrease in debtors	(253,649)	523,644
Increase in creditors	126,120	903,910
Corporation tax received	-	517,554
Net cash generated from operating activities	<u>735,600</u>	<u>(874,269)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,460)	-
Purchase of tangible fixed assets	(184,777)	(711,864)
Interest received	-	143
HP interest paid	(235,513)	(282,079)
Net cash from investing activities	<u>(421,750)</u>	<u>(993,800)</u>

ERLSON PRECISION HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £	2020 £
Cash flows from financing activities		
New secured loans	350,000	-
Other new loans	925,000	1,985,000
Repayment of other loans	(1,111,102)	(633,679)
Net capital (repayment)/receipt of new finance leases	(289,158)	287,334
Interest paid	(151,095)	(158,142)
Net cash used in financing activities	(276,355)	1,480,513
Net increase/(decrease) in cash and cash equivalents	37,495	(387,556)
Cash and cash equivalents at beginning of year	19,677	407,233
Cash and cash equivalents at the end of year	57,172	19,677
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	57,172	19,677

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2021**

	At 1 April 2020 £	Cash flows £	New loans / finance leases £	At 31 March 2021 £
Cash at bank and in hand	19,677	37,495	-	57,172
Debt due after 1 year	(4,236,041)	(1,370,938)	-	(5,606,979)
Debt due within 1 year	(3,263,043)	1,207,040	-	(2,056,003)
Finance leases	(1,283,045)	289,158	(167,738)	(1,161,625)
	(8,762,452)	162,755	(167,738)	(8,767,435)

The notes on pages 17 to 37 form part of these financial statements.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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 and sells primarily to the UK.

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 Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2014.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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

The Directors have prepared a going concern assessment based on forecasts for a period up to March 2023, including realistic downside scenarios. They have considered the current risks and opportunities facing the Company, and the Group of which it heads, and their potential impact on the cash flows expected to be generated.

Forecasts have been prepared, which incorporate assumptions about the market in which the Company and Group operates in and key relationships with its customers, and predict the Company and Group will continue to trade in the foreseeable future.

The Directors believe that the prospects for the business are positive and that on the basis of these forecasts and assumptions, and on-going trading performance to date, the Directors have concluded that the Company and Group can continue to service its financial obligations as they fall due.

The directors therefore continue to adopt the going concern basis in preparing the financial statements.

2.4 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.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.5 Revenue**

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:

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 Group 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 Group 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.

2.6 Operating leases

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

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 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 Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

ERLSON PRECISION HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.10 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.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 Pensions

Defined contribution pension plan

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 profit or loss 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.

2.13 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 reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 reporting date.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.15 Intangible 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 Statement of Comprehensive Income over its useful economic life.

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.

The estimated useful lives range as follows:

Negative goodwill	-	3	years
Computer software	-	7	years

2.16 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, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	- between 5 and 15 years
Computer equipment	- over 3 years

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.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.17 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 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 reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.19 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.20 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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.21 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.22 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.

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

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.22 Financial instruments (continued)**

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

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

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

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

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

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regards, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below:

Going concern

The Directors have prepared a going concern assessment based on forecasts for a period up to March 2023, including realistic downside scenarios and assumptions. They have considered the current risks and opportunities facing the Company, and the Group of which it heads, and their potential impact on the cash flows expected to be generated.

Investment valuation

The assessment of the carrying value of investments in subsidiaries requires the Directors to estimate the future profitability of the subsidiary or business concerned.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of plant and machinery, and have concluded that asset lives and residual values are appropriate.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

4. 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.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	6,798,983	8,034,229
Rest of Europe	7,793,843	7,263,393
Rest of the World	3,474,568	2,866,798
	<u>18,067,394</u>	<u>18,164,420</u>

5. Other operating income

	2021 £	2020 £
Other operating income	89,960	71,013
Government grants receivable	784,002	-
	<u>873,962</u>	<u>71,013</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	1,047,591	992,456
Amortisation of intangible assets	10,944	13,527
Research and development expenditure	1,530,210	2,132,784
Amortisation of negative goodwill	(36,940)	(36,940)
Other operating lease rentals	436,486	460,439
	<u></u>	<u></u>

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	31,000	31,000
Fees payable to the Group's auditor and its associates in respect of:		
Other services	1,250	1,210

8. Employees

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	7,038,236	8,379,756	287,019	356,677
Social security costs	661,482	752,735	33,021	40,266
Cost of defined contribution scheme	256,468	322,046	28,250	37,562
	<u>7,956,186</u>	<u>9,454,537</u>	<u>348,290</u>	<u>434,505</u>

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

	2021 No.	2020 No.
Direct production	222	239
Indirect production	32	58
Admin and sales	10	12
	<u>264</u>	<u>309</u>

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	285,828	271,805
Company contributions to defined contribution pension schemes	30,519	32,234
	<u>316,347</u>	<u>304,039</u>

During the year retirement benefits were accruing to 4 directors (2020 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £111,545 (2020 - £95,837).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,507 (2020 - £12,527).

10. Interest payable and similar expenses

	2021 £	2020 £
Other loan interest payable	300,449	158,142
Finance leases and hire purchase contracts	235,513	282,079
	<u>535,962</u>	<u>440,221</u>

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	(441,801)	(711,785)
Adjustments in respect of previous periods	1,526	(57,072)
Total current tax	<u>(440,275)</u>	<u>(768,857)</u>
Deferred tax		
Origination and reversal of timing differences	(9,673)	90,968
Total deferred tax	<u>(9,673)</u>	<u>90,968</u>
Taxation on loss on ordinary activities	<u>(449,948)</u>	<u>(677,889)</u>

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(1,668,691)	(4,058,230)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(317,051)	(771,064)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	527	7,311
Adjustments to tax charge in respect of prior periods	1,526	(57,072)
Short term timing difference leading to an increase in taxation	44,554	39,534
Adjustment in research and development tax credit leading to an decrease in the tax charge	(441,801)	(712,283)
Enhanced research and development expenditure	(377,962)	(527,807)
Tax losses utilised	578,765	933,338
Unrelieved tax losses carried forward	61,494	410,154
Total tax charge for the year	(449,948)	(677,889)

Factors that may affect future tax charges

The group has approximately £10.7m (2020: £10.4m) of carry-forward tax losses which will significantly effect tax payments in future years.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

12. Intangible assets**Group and Company**

	Computer software £	Negative goodwill £	Total £
Cost			
At 1 April 2020	122,865	(3,936,675)	(3,813,810)
Additions	1,460	-	1,460
At 31 March 2021	<u>124,325</u>	<u>(3,936,675)</u>	<u>(3,812,350)</u>
Amortisation			
At 1 April 2020	101,103	(3,804,023)	(3,702,920)
Charge for the year	10,944	(36,940)	(25,996)
At 31 March 2021	<u>112,047</u>	<u>(3,840,963)</u>	<u>(3,728,916)</u>
Net book value			
At 31 March 2021	<u>12,278</u>	<u>(95,712)</u>	<u>(83,434)</u>
At 31 March 2020	<u>21,762</u>	<u>(132,652)</u>	<u>(110,890)</u>

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13. Tangible fixed assets**Group**

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 April 2020	34,415,543	19,779	28,984	29,505	141,492	34,635,303
Additions	348,641	-	-	2,974	900	352,515
At 31 March 2021	<u>34,764,184</u>	<u>19,779</u>	<u>28,984</u>	<u>32,479</u>	<u>142,392</u>	<u>34,987,818</u>
Depreciation						
At 1 April 2020	28,608,652	16,440	16,312	22,156	125,641	28,789,201
Charge for the year	1,031,628	-	1,557	3,832	10,574	1,047,591
At 31 March 2021	<u>29,640,280</u>	<u>16,440</u>	<u>17,869</u>	<u>25,988</u>	<u>136,215</u>	<u>29,836,792</u>
Net book value						
At 31 March 2021	<u>5,123,904</u>	<u>3,339</u>	<u>11,115</u>	<u>6,491</u>	<u>6,177</u>	<u>5,151,026</u>
At 31 March 2020	<u>5,806,891</u>	<u>3,339</u>	<u>12,672</u>	<u>7,349</u>	<u>15,851</u>	<u>5,846,102</u>

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

	2021 £	2020 £
Plant and machinery	<u>1,423,274</u>	<u>1,493,739</u>

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

14. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost	
At 1 April 2020	4,379,160
At 31 March 2021	<u>4,379,160</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Erison Precision Components Limited	England	Specialist manufacture of high precision components for automotive chargers, fuel delivery and brake line applications.	Ordinary	100%
TPP Compressors Limited	England	Dormant investment holding.	Ordinary	100%
Precision Investment Castings Limited	England	Specialist Investment Casting Foundry and CNC Machinist manufacturing components for the aerospace, oil & gas, defence and automotive sectors.	Ordinary	100%
Turbotech Precision Products Limited	England	Specialist Plaster Mould Casting Foundry and CNC Machinist manufacturing components for the automotive and industrial refrigeration sectors.	Ordinary	100%

All companies have been included within these consolidated financial statements and all are registered at 5 The Courtyard, Timothy's Bridge Road, Stratford Enterprise Park, Stratford-Upon-Avon, CV37 9NP.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

15. Stocks

	Group 2021 £	Group 2020 £
Raw materials and consumables	594,552	666,401
Work in progress (goods to be sold)	1,461,919	2,160,783
Finished goods and goods for resale	462,115	665,664
	<u>2,518,586</u>	<u>3,492,848</u>

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

16. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	3,451,957	2,936,877	-	-
Amounts owed by group undertakings	-	-	1,446,191	1,592,344
Other debtors	146,447	389,731	63,036	-
Prepayments and accrued income	430,525	448,544	-	-
Tax recoverable	441,801	505,625	-	-
	<u>4,470,730</u>	<u>4,280,777</u>	<u>1,509,227</u>	<u>1,592,344</u>

17. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	<u>57,172</u>	<u>19,677</u>	<u>391</u>	<u>535</u>

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

18. Creditors: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	22,634	-	-	-
Other loans	2,033,369	3,263,043	-	-
Trade creditors	2,647,813	3,395,137	314,547	161,499
Amounts owed to group undertakings	-	-	1,268,824	1,936,188
Corporation tax	-	216	-	-
Other taxation and social security	1,665,811	828,362	-	-
Obligations under finance lease and hire purchase contracts	478,004	467,374	-	-
Other creditors	37,683	116,436	-	-
Accruals and deferred income	562,838	961,358	168,958	206,944
	<u>7,448,152</u>	<u>9,031,926</u>	<u>1,752,329</u>	<u>2,304,631</u>

Secured loans

The interest rates payable on the Other loans, and the assets secured against them, are stated in note 20.

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.

19. Creditors: Amounts falling due after more than one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	327,366	-	-	-
Other loans	5,279,613	4,236,041	2,482,025	2,232,029
Net obligations under finance leases and hire purchase contracts	683,621	815,671	-	-
Other creditors	125,798	194,930	-	-
Accruals and deferred income	524,268	295,964	524,268	295,964
	<u>6,940,666</u>	<u>5,542,606</u>	<u>3,006,293</u>	<u>2,527,993</u>

Secured loans

The interest rates payable on the Other loans, and the assets secured against them, are stated in note 20.

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 2021**

20. Loans

Analysis of the maturity of loans is given below:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due within one year				
Bank loans	22,634	-	-	-
Other loans	2,033,369	3,263,043	-	-
	<u>2,056,003</u>	<u>3,263,043</u>	<u>-</u>	<u>-</u>
Amounts falling due 1-2 years				
Bank loans	327,366	-	-	-
Other loans	397,722	455,856	-	-
	<u>725,088</u>	<u>455,856</u>	<u>-</u>	<u>-</u>
Amounts falling due 2-5 years				
Other loans	4,881,891	3,780,185	2,482,025	2,232,029
	<u>7,662,982</u>	<u>7,499,084</u>	<u>2,482,025</u>	<u>2,232,029</u>

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

20. Loans (continued)

Amounts falling due within one year

The bank loans of £22,634 (2020: £Nil) relates to government backed loans that pay interest at a normal commercial rate and are repayable by instalments.

Included in the other loan balances are the following:

- £447,721 (2020: £720,141) which is secured by a fixed and floating charge over the assets of the group.

- £1,585,648 (2020: £2,542,902) which is secured by a fixed and floating charge over the trade debtors of the company;

Amounts falling due over one year

The bank loans of £327,366 (2020: £Nil) relates to government backed loans that pay interest at a normal commercial rate and are repayable by instalments.

Included in the other loan balances are the following:

- Loans of £947,588 (2020: £1,329,012) which is secured by a fixed and floating charge over the assets of the company;

- Customer advance of £1,850,000 (2020: £925,000) that is interest free with no fixed date of repayment; and

- Loan notes of £2,482,025 (2020: £2,232,029) due to the shareholders as follows:

(i) Loan notes 'A' of £572,646 (2020: £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.

(ii) Loan notes 'B' of £349,383 (2020: £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.

(iii) Loan notes 'C' of £250,000 (2020: £250,000) which attract interest at the rate of 6% per annum, are unsecured and are repayable in March 2023.

(iv) Loan notes 'D' of £360,000 (2020: £360,000) attract interest at the rate of 10% per annum, are unsecured and are repayable in full in March 2023.

(v) Loan notes 'E' of £700,000 (2020: £700,000) attract interest at the rate of 8% per annum, are unsecured and are repayable in full in March 2023.

(vi) Loan notes 'F' of £250,000 (2020: £Nil) which attract interest at the rate of 6% per annum, are unsecured and are repayable in December 2023.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2021 £	Group 2020 £
Within one year	501,074	467,374
Within 2 - 5 years	702,045	815,671
	<u>1,203,119</u>	<u>1,283,045</u>

22. Financial instruments

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Financial assets				
Financial assets measured at fair value through profit or loss	57,172	19,677	391	535
Financial assets that are debt instruments measured at amortised cost	<u>3,452,084</u>	<u>2,936,877</u>	<u>1,446,318</u>	<u>1,592,346</u>
	<u>3,509,256</u>	<u>2,956,554</u>	<u>1,446,709</u>	<u>1,592,881</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(11,157,616)</u>	<u>(12,015,766)</u>	<u>(4,731,884)</u>	<u>(4,168,217)</u>

Financial assets measured at fair value through profit or loss comprise cash and bank balances.

Financial assets measured at amortised cost comprise trade debtors, accrued income and balances due from Group undertakings.

Financial liabilities measured at amortised cost comprise other loans, trade creditors, obligations under finance lease and hire purchase contracts, deferred income and balances due to Group undertakings.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

23. Deferred taxation**Group**

	2021
	£
At beginning of year	(14,780)
Credited to profit or loss	9,978
	-
At end of year	(4,802)

	Group	Group
	2021	2020
	£	£
Accelerated capital allowances	(4,802)	(14,780)
	(4,802)	(14,780)

24. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
1,525,794 (2020 - 1,525,794) Ordinary shares of £0.01 each	15,258	15,258
154,139 (2020 - 154,139) B Ordinary shares of £0.01 each	1,541	1,541
	16,799	16,799

25. Pension commitments

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 £256,468 (2020: £322,046).

Contributions totalling £37,424 (2020: £105,358) were payable to the fund at the balance sheet date and are included in creditors.

ERLSON PRECISION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

26. Commitments under operating leases

At 31 March 2021 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Land and buildings		
Not later than 1 year	356,158	370,393
Later than 1 year and not later than 5 years	1,015,250	1,186,252
Later than 5 years	2,262,446	2,423,389
	<u>3,633,854</u>	<u>3,980,034</u>
	Group 2021 £	Group 2020 £
Other		
Not later than 1 year	44,888	70,627
Later than 1 year and not later than 5 years	14,755	44,355
	<u>59,643</u>	<u>114,982</u>

The Company had no commitments under the non-cancellable operating leases as at the reporting date.

27. 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.