

Registered number: 07897780

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Mr S J Rolinson Mr J E Rolinson Mr I N Rolinson
<b>Company secretary</b>	Mr C J Nash
<b>Registered number</b>	07897780
<b>Registered office</b>	Unit 6 Tipper Industrial Estate Park Road Halesowen West Midlands B63 2RH
<b>Independent auditors</b>	BDO LLP Statutory Auditor Two Snowhill Birmingham B4 6GA
<b>Bankers</b>	National Westminster Bank PLC 30a Harborne Road Edgbaston Birmingham B15 3AA
<b>Solicitors</b>	Higgs & Sons 3 Waterfront Business Park Brierley Hill Dudley West Midlands DY5 1LX

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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## ERODEX GRAPHITE SYSTEMS LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 28 FEBRUARY 2019

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#### Principal activities

The principal activities of the group continued to be that of previous years and is split into three divisions namely:

- the manufacture of finished parts in carbon and graphite for various industries and stock holding of ancillary products for the EDM sector;
- carbon brush manufacture; and
- design, manufacture and project management of jigs, fixtures and other holding equipment.

The group has a subsidiary businesses, Erodex Inc., in Virginia, USA to supply and service a customer base in America.

#### Business review

The Erodex group has had another successful year which has seen a 14.7% increase in turnover and a small increase in profitability up from £2.7m to £3.2m. Increases in staffing levels and general business maintenance and running costs have seen administration overheads increase from £4.2m to £4.8m.

The group has retained a strong balance sheet with an excellent credit rating which is essential both to suppliers and customers alike. The year end cash position was £2.8m which is an increase of £0.4m from the previous year.

The business has maintained ISO9001 quality accreditation and gained aerospace accreditation to AS9100 in respect of our tooling division.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

#### Outlook and forecast

The Board are optimistic about continued growth in the coming years. The current order book remains healthy and the business remains on track to retain market share and profitability for the new financial year. The business is looking to build on delivering first class customer service which involves recruitment of high calibre staff with key appointments being made in the new financial year.

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ERODEX GRAPHITE SYSTEMS LIMITED

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GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 28 FEBRUARY 2019

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**Principal risks and uncertainties**

The group is exposed to financial risk through its financial assets and liabilities. Within the balance sheet the main financial risks considered relevant are currency risk, credit risk and price risk.

Currency risk arises on imports and exports of goods principally to countries within the EC denominated in Euros and throughout the world denominated in US dollars. The group mitigates risk by both buying and selling in these currencies and by forward planning any currency that needs to be purchased.

Credit risk arises when customers do not settle their accounts in a timely manner. The business maintains rigorous credit control procedures to mitigate risk. These include setting of credit limits, reviewing payment history and third party references and ratings.

Price risk exists and the purchase of stocks form the major proportion of final selling price. This risk is mitigated by entering into forward purchasing with fixed price deals whenever possible and retaining excellent supplier relations both in the UK and overseas.

The group is also reliant upon a number of business systems which, if disrupted for any length of time could have an adverse effect on the efficient running of the company's business. The Management has put in place a number of contingency plans, including disaster recovery, to mitigate the impact of such system failures.

The board is also mindful of risks and uncertainties of events out of their control. Currently, Brexit, turbulence in financial markets and other economic conditions all give added risk to any future development of the business.

**Financial key performance indicators**

The business produces detailed management reports and accounts on a monthly basis and a number of key performance indicators ("KPIs") are an integral part of this process. The reports and accounts focus on the actual performance of the business drilled down into the three sectors of the business. Overall KPIs are as follows:

	2019	As restated 2018
Turnover (£'000)	19,744	17,218
Gross profit (£'000)	8,051	6,879
Gross profit margin (%)	41	40
EBITDA (£'000)	4,845	4,224

The group balance sheet has been further strengthened by the performance of the company throughout the year. The current ratio has increased to 3.27:1 (2018 - 2.5:1) and cash reserves held increased by £360,576 (2018 - increase of £289,441).

This report was approved by the board on 29 August 2019 and signed on its behalf.

  
Mr TN Robinson  
Director

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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The directors present their report and the financial statements for the year ended 28 February 2019.

**Results and dividends**

The profit for the year, after taxation, amounted to £2,498,684 (2018 - £2,059,495).

The directors have recommended a dividend of £450,000 (2018 - £405,000).

**Directors**

The directors who served during the year were:

Mr S J Rolinson  
Mr J E Rolinson  
Mr I N Rolinson

**Future developments**

Disclosures relating to future developments have been disclosed within the Strategic Report.

**Research and development activities**

The company continues to strive towards innovation through research on improving and optimising efficiencies within machinery techniques and product development, primarily within the aerospace industry.

During the year the group incurred expenditure of £400,000 (2018 - £205,000) in relation to research and development activities.

**Matters covered in the strategic report**

Information as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Group Strategic Report.

**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

**Auditors**

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office.

This report was approved by the board on 29 August 2019 and signed on its behalf.

  
Mr I N Rolinson  
Director

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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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; and
- 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.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERODEX GRAPHITE SYSTEMS LIMITED**

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**Opinion**

We have audited the financial statements of Erodex Graphite Systems Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 28 February 2019, which comprise the Group Statement of Comprehensive Income, the Group and company Balance Sheets, the Group Statement of Cash Flows, the Group 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 28 February 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the 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**

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 the 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.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERODEX GRAPHITE SYSTEMS LIMITED (CONTINUED)**

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**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 Auditors' 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.

**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.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERODEX GRAPHITE SYSTEMS LIMITED (CONTINUED)**

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**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement 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 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.

**Auditors' responsibilities for the audit of the financial statements**

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

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

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' 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 Fenner (Senior Statutory Auditor)

for and on behalf of  
**BDO LLP**

Statutory Auditor

Two Snowhill  
Birmingham  
B4 6GA

Date: 29 August 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ERODEX GRAPHITE SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

	Note	2019 £	<i>As restated</i> 2018 £
Turnover	4	19,744,465	17,218,057
Cost of sales		(11,693,911)	(10,338,617)
<b>Gross profit</b>		<b>8,050,554</b>	<b>6,879,440</b>
Administrative expenses		(4,815,518)	(4,141,761)
Other operating income	5	3,581	22,402
<b>Operating profit</b>	6	<b>3,238,617</b>	<b>2,760,081</b>
Interest receivable and similar income	9	10,099	6,004
Interest payable and expenses	10	(34,353)	(35,802)
<b>Profit before taxation</b>		<b>3,214,363</b>	<b>2,730,283</b>
Tax on profit	11	(715,679)	(670,788)
<b>Profit for the financial year</b>		<b>2,498,684</b>	<b>2,059,495</b>
Movement in foreign exchange reserve		(16,296)	39,389
<b>Other comprehensive income for the year</b>		<b>(16,296)</b>	<b>39,389</b>
<b>Total comprehensive income for the year</b>		<b>2,482,388</b>	<b>2,098,884</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent company		<b>2,498,684</b>	<b>2,059,495</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent company		<b>2,482,388</b>	<b>2,098,884</b>

The notes on pages 15 to 35 form part of these financial statements.

**ERODEX GRAPHITE SYSTEMS LIMITED**  
**REGISTERED NUMBER: 07897780**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 28 FEBRUARY 2019**

	Note	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Intangible Assets	13		3,364,780		4,051,333
Tangible assets	14		4,019,491		3,108,713
			<u>7,384,271</u>		<u>7,160,046</u>
<b>Current assets</b>					
Stocks	16	3,756,048		3,699,032	
Debtors: amounts falling due within one year	17	5,123,988		4,367,043	
Cash at bank and in hand	18	2,811,943		2,451,367	
			<u>11,691,979</u>		<u>10,517,442</u>
Creditors: amounts falling due within one year	19	<u>(3,631,410)</u>		<u>(4,281,753)</u>	
<b>Net current assets</b>			<b>8,060,569</b>		<b>6,235,689</b>
<b>Total assets less current liabilities</b>			<b>15,444,840</b>		<b>13,395,735</b>
<b>Provisions for liabilities</b>					
Deferred tax	21		(173,022)		(156,305)
<b>Net assets</b>			<b>15,271,818</b>		<b>13,239,430</b>
<b>Capital and reserves</b>					
Called up share capital	22		75		75
Share premium account	23		7,050,000		7,050,000
Foreign exchange reserve	23		(4,431)		11,865
Profit and loss account	23		8,226,174		6,177,490
			<u>15,271,818</u>		<u>13,239,430</u>

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

  
**Mr I N Rolinson**  
 Director

29 August 2019

The notes on pages 15 to 35 form part of these financial statements.

**ERODEX GRAPHITE SYSTEMS LIMITED**  
**REGISTERED NUMBER: 07897780**

**COMPANY BALANCE SHEET**  
**AS AT 28 FEBRUARY 2019**

	Note	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Investments	15		17,487,075		17,487,075
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	19	(10,413,796)		(10,413,796)	
<b>Net current liabilities</b>			<b>(10,413,796)</b>		<b>(10,413,796)</b>
<b>Total assets less current liabilities</b>			<b>7,073,279</b>		<b>7,073,279</b>
<b>Net assets</b>			<b>7,073,279</b>		<b>7,073,279</b>
<b>Capital and reserves</b>					
Called up share capital	22		75		75
Share premium account	23		7,050,000		7,050,000
Profit and loss account brought forward		23,204		41,198	
Profit for the year		450,000		387,006	
Equity dividends paid		(450,000)		(405,000)	
Profit and loss account carried forward			23,204		23,204
			<b>7,073,279</b>		<b>7,073,279</b>

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

29 August 2019

  
**Mr TN Rolinson**  
 Director

The notes on pages 15 to 35 form part of these financial statements.

**ERODEX GRAPHITE SYSTEMS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
<b>At 1 March 2017</b>	75	7,050,000	(27,524)	4,522,995	11,545,546
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	2,059,495	2,059,495
Foreign exchange gain/(loss) on retranslation of subsidiaries	-	-	39,389	-	39,389
<b>Other comprehensive income for the year</b>	-	-	39,389	-	39,389
<b>Total comprehensive income for the year</b>	-	-	39,389	2,059,495	2,098,884
Equity dividends paid	-	-	-	(405,000)	(405,000)
<b>Total transactions with owners</b>	-	-	-	(405,000)	(405,000)
<b>At 1 March 2018</b>	75	7,050,000	11,865	6,177,490	13,239,430
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	2,498,684	2,498,684
Foreign exchange gain/(loss) on retranslation of subsidiaries	-	-	(16,296)	-	(16,296)
<b>Other comprehensive income for the year</b>	-	-	(16,296)	-	(16,296)
<b>Total comprehensive income for the year</b>	-	-	(16,296)	2,498,684	2,482,388
Equity dividends paid	-	-	-	(450,000)	(450,000)
<b>Total transactions with owners</b>	-	-	-	(450,000)	(450,000)
<b>At 28 February 2019</b>	75	7,050,000	(4,431)	8,226,174	15,271,818

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
<b>At 1 March 2017</b>	<b>75</b>	<b>7,050,000</b>	<b>41,198</b>	<b>7,091,273</b>
Profit for the year	-	-	<b>387,006</b>	<b>387,006</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>387,006</b>	<b>387,006</b>
<b>Contributions by and distributions to owners</b>				
Equity dividends paid	-	-	<b>(405,000)</b>	<b>(405,000)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(405,000)</b>	<b>(405,000)</b>
<b>At 1 March 2018</b>	<b>75</b>	<b>7,050,000</b>	<b>23,204</b>	<b>7,073,279</b>
Profit for the year	-	-	<b>450,000</b>	<b>450,000</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>450,000</b>	<b>450,000</b>
<b>Contributions by and distributions to owners</b>				
Equity dividends paid	-	-	<b>(450,000)</b>	<b>(450,000)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(450,000)</b>	<b>(450,000)</b>
<b>At 28 February 2019</b>	<b>75</b>	<b>7,050,000</b>	<b>23,204</b>	<b>7,073,279</b>

**ERODEX GRAPHITE SYSTEMS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	2,498,684	2,059,495
<b>Adjustments for:</b>		
Amortisation of intangible assets	873,553	827,629
Depreciation of tangible assets	732,810	636,362
Profit on disposal of tangible assets	(9,260)	(35,310)
Interest paid	34,353	35,802
Interest received	(10,099)	(6,004)
Taxation charge	715,679	670,788
Increase in stocks	(53,471)	(378,135)
Increase in debtors	(756,945)	(134,217)
Increase/(decrease) in creditors	96,533	(336,700)
Corporation tax paid	(689,120)	(603,249)
Foreign exchange (gains)/losses on consolidation	(45,859)	119,425
<b>Net cash generated from operating activities</b>	<b>3,386,858</b>	<b>2,855,886</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(1,377,765)	(835,244)
Sale of tangible fixed assets	13,000	375,411
Interest received	9,893	6,004
Interest received relating to corporation tax	206	-
Net cash inflow on acquisition of subsidiary	-	7,896
Purchase of trade and assets (note 24)	(370,545)	-
<b>Net cash from investing activities</b>	<b>(1,725,211)</b>	<b>(445,933)</b>
<b>Cash flows from financing activities</b>		
Repayment of loan notes	-	(903,126)
Repayment of finance leases	(6,598)	(3,038)
Loans repaid to directors	(810,120)	(773,546)
Dividends paid	(450,000)	(405,000)
Interest paid	(34,353)	(35,802)
<b>Net cash used in financing activities</b>	<b>(1,301,071)</b>	<b>(2,120,512)</b>
<b>Net increase in cash and cash equivalents</b>	<b>360,576</b>	<b>289,441</b>
Cash and cash equivalents at beginning of year	2,451,367	2,161,926
<b>Cash and cash equivalents at the end of year</b>	<b>2,811,943</b>	<b>2,451,367</b>

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ERODEX GRAPHITE SYSTEMS LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 28 FEBRUARY 2019

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	2019	2018
	£	£
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u>2,811,943</u>	<u>2,451,367</u>

The notes on pages 15 to 35 form part of these financial statements.

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## ERODEX GRAPHITE SYSTEMS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

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#### 1. General information

Erodex Graphite Systems Limited is a limited liability company, limited by shares, incorporated in England & Wales and domiciled in England.

The registered office is Unit 6 Tipper Industrial Estate, Park Road, Halesowen, West Midlands, B63 2RH. The company's registered number is 07897780.

The principal activities of the group continued to be that of previous years and is split into three divisions namely:

- the manufacture of finished parts in carbon and graphite for various industries and stock holding of ancillary products for the EDM sector;
- carbon brush manufacture; and
- design, manufacture and project management of jigs, fixtures and other holding equipment.

#### 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 functional and presentation currency for the group and company during the year was GBP and the accounts are rounded to the nearest £1.

The comparatives in these financial statements have been restated in order to more accurately reflect the split of staff costs between cost of sales and administrative expenses. There has been no impact to the Profit and Loss Account reserves as a result of this adjustment.

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

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

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 written off over ten years from the year of acquisition. The results of companies acquired or disposed of are included in the Consolidated Statement of Comprehensive Income after or up to the date that control passes respectively.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**2. Accounting policies (continued)**

**2.3 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. Turnover from refurbishment work is recognised as and when the work is performed.

**2.4 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 Profit and Loss Account over its useful economic life.

The estimated useful lives range as follows:

Purchased goodwill	-	20	years
Goodwill on consolidation	-	10	years

**2.5 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.

The estimated useful lives range as follows:

Freehold property	-	2% on cost
Leasehold property	-	10% reducing balance
Plant and machinery	-	20% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	10% - 25% reducing balance
Computer equipment	-	25% on cost

Freehold land is not depreciated.

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 within 'administrative expenses' in the Profit and Loss Account.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**2. Accounting policies (continued)**

**2.6 Operating leases: Lessee**

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

**2.7 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.8 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 weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Profit and Loss Account.

**2.9 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**2.10 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.

A company Statement of Cash Flows has not been presented in these financial statements on the basis that the Consolidated Statement of Cash Flows includes this information.

**2.11 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 accounts receivable and payable, 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.

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 Profit and Loss Account.

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 under the contract.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**2. Accounting policies (continued)**

**2.12 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.

**2.13 Foreign currency translation**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**2.14 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**2.15 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 the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**2.16 Dilapidations provision**

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

Provisions are charged as an expense to the Profit and Loss Account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**2. Accounting policies (continued)**

**2.17 Current and deferred taxation**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company 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 Balance Sheet date, except that:

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

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

**2.18 Research and development**

Research and development expenditure is expensed to the Profit and Loss Account in the year it is incurred, unless it meets the criteria for capitalisation.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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

In preparing the Financial Statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

**Slow moving stock provision**

A provision is recognised against stock for slow moving items based on actual usage in the financial year as compared to the stock level held. The provision is then reviewed in detail and adjustments made to reflect the level of stock expected to be used in production in forthcoming periods.

**Research and development provisions**

Provision has been made in the financial statements for the total claim expected to be received relating to research and development expenditure during the current and previous years. Actual expenditure for the last finalised period has been used in arriving at this estimation.

**Stock off-cuts**

Stock off-cuts of larger blocks of graphite are valued at a percentage of their initial cost.

**Goodwill on consolidation**

Goodwill is amortised over its expected useful life. The directors consider and assess the best estimate of the useful life of the amortised goodwill.

**4. Turnover**

The whole of the turnover is attributable to the one principal activity of the group.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	14,711,169	13,520,116
Rest of Europe	1,660,728	1,834,918
Rest of the world	3,372,568	1,863,023
	<u>19,744,465</u>	<u>17,218,057</u>

**5. Other operating income**

	2019 £	2018 £
Income from rental of machinery	<u>3,581</u>	<u>22,402</u>

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ERODEX GRAPHITE SYSTEMS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019

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6. Operating profit

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

	2019	2018
	£	£
Research & development charged as an expense	400,000	205,000
Amortisation of intangible assets, including goodwill	873,553	827,629
Depreciation of owned tangible fixed assets	732,810	628,476
Profit on disposal of fixed assets	(9,260)	(35,310)
Fees payable to the group's auditor for the audit of the company's annual financial statements	4,000	4,000
Fees payable to the group's auditors for other services to the group:		
- The audit of the Group's subsidiaries pursuant to legislation	17,600	17,000
- Taxation compliance services	4,150	4,000
Foreign exchange (gains)/losses	(93,303)	239,774
Stock recognised as an expense	9,886,445	7,715,359
Operating lease rentals - land and buildings	259,523	237,378
Operating lease rentals - other	83,396	71,347
Defined contribution pension cost	76,876	53,737

The amortisation of intangible assets includes £802,386 (2018 - £787,629) in respect of goodwill on consolidation.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**7. Employees**

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

	<b>Group 2019 £</b>	<i>Group 2018 £</i>	<b>Company 2019 £</b>	<i>Company 2018 £</i>
Wages and salaries	3,909,313	3,315,878	-	-
Social security costs	397,198	332,531	-	-
Cost of defined contribution scheme	76,876	53,737	-	-
	<u>4,383,387</u>	<u>3,702,146</u>	<u>-</u>	<u>-</u>

No employees are paid through the parent company. All remuneration for the employees and directors is paid by Erodex (U.K.) Limited.

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

	<b>2019 No.</b>	<i>2018 No.</i>
Production	68	65
Distribution	11	10
Administrative	32	27
	<u>111</u>	<u>102</u>

The company has no employees other than the directors, who did not receive any remuneration (2018 - £Nil).

**8. Directors' remuneration**

	<b>2019 £</b>	<i>2018 £</i>
Directors' emoluments	<u>129,872</u>	<u>120,119</u>

No employees, other than the directors, are considered to be key management personnel.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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<b>9. Interest receivable</b>		
	<b>2019</b>	<b>2018</b>
	£	£
Interest on overdue taxation	206	-
Bank interest receivable	9,893	6,004
	<u>9,893</u>	<u>6,004</u>
<b>10. Interest payable and similar expenses</b>		
	<b>2019</b>	<b>2018</b>
	£	£
Bank interest payable	353	3,581
Other loan interest payable	34,000	13,515
Other interest payable	-	18,706
	<u>34,353</u>	<u>35,802</u>
<b>11. Taxation</b>		
	<b>2019</b>	<b>2018</b>
	£	£
<b>Corporation tax</b>		
Current tax on profits for the year	700,000	665,000
Adjustments in respect of previous periods	(1,038)	17,438
<b>Foreign tax</b>		
Foreign tax on income for the year	-	304
<b>Total current tax</b>	<u>698,962</u>	<u>682,742</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	16,717	(10,271)
Changes to tax rates	-	(1,683)
<b>Total deferred tax</b>	<u>16,717</u>	<u>(11,954)</u>
<b>Taxation on profit on ordinary activities</b>	<u>715,679</u>	<u>670,788</u>

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ERODEX GRAPHITE SYSTEMS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019

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11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.08%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>3,214,363</u>	<u>2,730,283</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.08%)	610,729	520,938
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	173,575	160,727
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14,023	2,272
Capital allowances for year in excess of depreciation	67	(7,607)
Adjustments to tax charge in respect of prior periods	(1,246)	17,438
Research and development tax credits	(49,400)	(50,776)
Fixed asset profit on disposal	(1,759)	(7,849)
Adjustments in respect of overseas subsidiaries	(28,239)	36,298
Rounding on tax charge	102	1,030
Tax charged at different rates	(2,173)	(1,683)
Total tax charge for the year	<u>715,679</u>	<u>670,788</u>

Factors that may affect future tax charges

There are no factors affecting future tax charges.

12. Dividends

	2019 £	2018 £
Ordinary		
Equity dividends paid	<u>450,000</u>	<u>405,000</u>

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ERODEX GRAPHITE SYSTEMS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019

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13. Intangible assets

Group

	Goodwill on consolidation £	Goodwill £	Total £
<b>Cost</b>			
At 1 March 2018	8,009,102	925,289	8,934,391
Additions	-	187,000	187,000
At 28 February 2019	<u>8,009,102</u>	<u>1,112,289</u>	<u>9,121,391</u>
<b>Amortisation</b>			
At 1 March 2018	4,197,769	685,289	4,883,058
Charge for the year	802,386	71,167	873,553
At 28 February 2019	<u>5,000,155</u>	<u>756,456</u>	<u>5,756,611</u>
<b>Net book value</b>			
At 28 February 2019	<u>3,008,947</u>	<u>355,833</u>	<u>3,364,780</u>
At 28 February 2018	<u>3,811,333</u>	<u>240,000</u>	<u>4,051,333</u>

**Company**

The company has no intangible fixed assets.

**ERODEX GRAPHITE SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

**14. Tangible fixed assets**

**Group**

	Freehold land and buildings £	Leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost or valuation</b>						
At 1 March 2018	277,655	133,678	6,761,609	176,833	969,061	8,318,836
Additions	28,736	33,031	1,336,296	8,750	210,952	1,617,765
Disposals	-	-	(4,800)	-	(146,131)	(150,931)
Exchange adjustments	-	-	38,169	(540)	1,229	38,858
At 28 February 2019	<u>306,391</u>	<u>166,709</u>	<u>8,131,274</u>	<u>185,043</u>	<u>1,035,111</u>	<u>9,824,528</u>
<b>Depreciation</b>						
At 1 March 2018	10,464	121,120	4,336,905	53,690	687,944	5,210,123
Charge for the year	2,855	2,279	609,405	31,346	86,925	732,810
Disposals	-	-	(1,060)	-	(146,131)	(147,191)
Exchange adjustments	-	-	8,984	(56)	367	9,295
At 28 February 2019	<u>13,319</u>	<u>123,399</u>	<u>4,954,234</u>	<u>84,980</u>	<u>629,105</u>	<u>5,805,037</u>
<b>Net book value</b>						
At 28 February 2019	<u>293,072</u>	<u>43,310</u>	<u>3,177,040</u>	<u>100,063</u>	<u>406,006</u>	<u>4,019,491</u>
At 28 February 2018	<u>267,191</u>	<u>12,558</u>	<u>2,424,704</u>	<u>123,143</u>	<u>281,117</u>	<u>3,108,713</u>

Land costing £146,571 (2018 - £146,571) is included within freehold land and buildings and is not depreciated.

**Company**

The company has no fixed assets

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**15. Fixed asset investments**

**Group**

The group has no fixed asset investments.

**Company**

	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 March 2018	17,487,075
At 28 February 2019	<u>17,487,075</u>

**Direct subsidiary undertaking**

Erodex (U.K.) Limited

The company owns 100% of the ordinary share capital of Erodex (U.K.) Limited, a company incorporated in England and Wales and domiciled in England. Its registered office is Unit 6 Tipper Industrial Estate, Park Road, Halesowen, West Midlands, B63 2RH. Its principal activity is split into three divisions, namely: the manufacture of finished parts in carbon and graphite for various industries and stock holding of ancillary products for the EDM sector; carbon brush manufacture; and the design and project management of jigs, fixtures and other holding equipment.

**Indirect subsidiary undertakings**

The following are indirect subsidiary undertakings of the company:

Engineering Carbon Products Limited

The company indirectly owns a 100% holding in Engineering Carbon Products Limited, a company incorporated in England and Wales and domiciled in England. Its registered office is Unit 6 Tipper Industrial Estate, Park Road, Halesowen, West Midlands, B63 2RH and it is dormant.

A.F. Shaw Precision Grinding Limited

The company indirectly owns a 100% holding in A.F. Shaw Precision Grinding Limited, a company incorporated in England and Wales and domiciled in England. Its registered office is Unit 6 Tipper Industrial Estate, Park Road, Halesowen, West Midlands, B63 2RH and it is dormant.

BWP Technical Services Limited

The company indirectly owns a 100% holding in BWP Technical Services Limited, a company incorporated in England and Wales and domiciled in England. Its registered office is Unit 6 Tipper Industrial Estate, Park Road, Halesowen, West Midlands, B63 2RH and it is dormant.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**15. Fixed asset investments (continued)**

**Indirect subsidiary undertakings (continued)**

Erodex, Inc.

The company indirectly owns a 100% holding in Erodex, Inc. is incorporated and domiciled in the USA. Its registered office is 1401 East Cary Street, Richmond VA 23219. Its principal activity is the distribution and manufacture of finished parts in carbon and graphite, spark erosion materials, design and project management of jigs, fixtures and other holding equipment.

Tooling Supplies CZ s.r.o.

The company indirectly owns a 100% holding in Tooling Supplies CZ s.r.o., a company incorporated and domiciled in the Czech Republic. Its registered office is B. Nemcové 221, Prštíné 760 01 Zlín, Czech Republic. Its principal activity is the distribution of jigs, fixtures and other holding equipment.

**16. Stocks**

	<b>Group 2019 £</b>	<b>Group 2018 £</b>	<b>Company 2019 £</b>	<b>Company 2018 £</b>
Work in progress	<b>272,534</b>	269,637	-	-
Finished goods	<b>3,483,514</b>	3,429,395	-	-
	<b>3,756,048</b>	3,699,032	-	-

Stock recognised in the consolidated cost of sales during the year as an expense was £9,886,445 (2018 - £7,715,359).

An impairment loss of £2,896 (2018 - £142,011) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**17. Debtors**

	<b>Group 2019 £</b>	<b>Group 2018 £</b>	<b>Company 2019 £</b>	<b>Company 2018 £</b>
Trade debtors	4,848,525	4,276,237	-	-
Other debtors	59,392	8,588	-	-
Prepayments and accrued income	216,071	82,218	-	-
	<u>5,123,988</u>	<u>4,367,043</u>	<u>-</u>	<u>-</u>

**18. Cash and cash equivalents**

	<b>Group 2019 £</b>	<b>Group 2018 £</b>	<b>Company 2019 £</b>	<b>Company 2018 £</b>
Cash at bank and in hand	2,811,943	2,451,367	-	-

**19. Creditors: Amounts falling due within one year**

	<b>Group 2019 £</b>	<b>Group 2018 £</b>	<b>Company 2019 £</b>	<b>Company 2018 £</b>
Trade creditors	835,388	909,543	-	-
Amounts owed to group undertakings	-	-	10,413,796	8,549,421
Corporation tax	314,669	304,827	-	-
Other taxation and social security	427,864	380,459	-	-
Obligations under finance lease and hire purchase contracts	5,297	11,895	-	-
Other creditors	1,728,898	2,539,018	-	1,864,375
Accruals and deferred income	319,294	136,011	-	-
	<u>3,631,410</u>	<u>4,281,753</u>	<u>10,413,796</u>	<u>10,413,796</u>

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**20. Financial instruments**

	<b>Group 2019 £</b>	<b>Group 2018 £</b>	<b>Company 2019 £</b>	<b>Company 2018 £</b>
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	2,811,943	2,451,367	-	-
Financial assets that are debt instruments measured at amortised cost	4,907,917	4,284,825	-	-
	<u>7,719,860</u>	<u>6,736,192</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u>(3,316,741)</u>	<u>(3,976,925)</u>	<u>(10,413,796)</u>	<u>(10,413,796)</u>

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

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise loan notes, trade and other creditors, amounts owed to group undertakings, other taxation and social security, obligations under finance lease and hire purchase contracts, directors' loan accounts and accruals.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2019**

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**21. Deferred taxation**

**Group**

	2019 £	2018 £
At beginning of year	(156,305)	(168,259)
Charged to profit or loss	(16,717)	11,954
<b>At end of year</b>	<b>(173,022)</b>	<b>(156,305)</b>

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £
Accelerated capital allowances	(174,779)	(156,305)
Short term timing difference	1,757	-
	<b>(173,022)</b>	<b>(156,305)</b>

**Company**

The company has no deferred tax liability (2018 - £Nil).

**22. Share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
75 (2018 - 75) Ordinary shares of £1.00 each	75	75

**23. Reserves**

**Share premium account**

Share premium represents the amount received on the issue of share capital in excess of its nominal value. On 15 March 2016 a capital reduction of £3,000,000, which was added to Directors' loan accounts, reduced Share Premium to £7,050,000.

**Profit and loss account**

Profit and loss account reserve relates to accumulated profits less distributions to shareholders.

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**ERODEX GRAPHITE SYSTEMS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**24. Business combinations**

On 2 May 2018 the company's subsidiary, Erodex (U.K.) Limited, purchased the business and assets of Taurus Machining Limited for a consideration of £370,545. As at this date the fair value of the assets acquired were as follows:

	Book value £	Fair value £
Tangible	180,000	180,000
Stocks	3,545	3,545
<b>Total identifiable net assets</b>	<u>183,545</u>	<u>183,545</u>
Goodwill		187,000
<b>Total purchase consideration</b>		<u>370,545</u>
<b>Consideration</b>		
		£
Cash		370,545
<b>Total purchase consideration</b>		<u>370,545</u>
<b>Cash outflow on acquisition</b>		
		£
Purchase consideration settled in cash, as above		370,545
<b>Net cash outflow on acquisition</b>		<u>370,545</u>

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ERODEX GRAPHITE SYSTEMS LIMITED

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**25. Capital commitments**

At 28 February 2019 the group had capital commitments as follows:

	<b>Group 2019 £</b>	<i>Group 2018 £</i>
Contracted for but not provided in these financial statements	<b>(234,000)</b>	<i>240,000</i>

**Company**

The company had no capital commitments at the year end.

**26. 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 £76,875 (2018 - £53,737).

Contributions totalling £10,326 (2018 - £9,022) were payable to the fund at the Balance Sheet date.

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**27. Commitments under operating leases**

At 28 February 2019 the group had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2019 £</b>	<i>Group 2018 £</i>
<b>Land and buildings</b>		
Not later than 1 year	<b>259,525</b>	241,704
Later than 1 year and not later than 5 years	<b>846,422</b>	820,377
Later than 5 years	<b>538,183</b>	678,884
	<u><b>1,644,130</b></u>	<u>1,740,965</u>
	<b>Group 2019 £</b>	<i>Group 2018 £</i>
<b>Other operating leases</b>		
Not later than 1 year	<b>56,923</b>	70,427
Later than 1 year and not later than 5 years	<b>49,181</b>	90,333
Later than 5 years	<b>-</b>	752
	<u><b>106,104</b></u>	<u>161,512</u>

The company had no commitments under non-cancellable operating leases as at the Balance Sheet date.

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**28. Related party transactions**

In accordance with FRS 102 section 33.1A the exemption available not to disclose details of transactions entered into between wholly owned subsidiaries has been taken.

R E Rolinson and F J Rolinson, former directors of the company, own the freehold of the premises in Lye occupied by the group. These premises are leased to the group under a formal arrangement. During the year, the sum of £66,600 (2018 - £64,900) was charged to the group by way of rent.

J E Rolinson, a director of the company, along with A F Shaw, own the freehold of units 49, 50 and 51 in Darlaston occupied by the group. These premises are leased to the group under a formal arrangement. During the year, the sum of £33,500 (2018 - £33,500) was charged to the group by way of rent.

J E Rolinson, I N Rolinson and S J Rolinson, the directors of the company, own the freehold of units 36 and 38 in Darlaston occupied by the group. These premises are leased to the group under a formal arrangement. During the year, the sum of £38,500 (2018 - £38,500) was charged to the group by way of rent.

Within creditors due within one year are amounts due to the directors of the company (including net interest at 2% above the Bank of England base rate) as follows:

S J Rolinson - £570,940 (2018 - £861,874), net interest due of £9,260 (2018 - £3,192)  
I N Rolinson - £664,186 (2018 - £838,387), net interest due of £10,004 (2018 - £4,190)  
J E Rolinson - £492,046 (2018 - £838,756), net interest due of £7,936 (2018 - £3,429)

**29. Controlling party**

The controlling party of the company is the Rolinson family.