
ERODEX GRAPHITE SYSTEMS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

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ERODEX GRAPHITE SYSTEMS LIMITED

COMPANY INFORMATION

Directors	Mr S J Rolinson Mr J E Rolinson Mr I N Rolinson
Company secretary	Mr C J Nash
Registered number	07897780
Registered office	Unit 6 Tipper Industrial Estate Park Road Halesowen West Midlands B63 2RH
Independent auditors	Moore Stephens LLP Chartered Accountants and Statutory Auditor 35 Calthorpe Road Edgbaston Birmingham B15 1TS
Bankers	National Westminster Bank PLC 30a Harborne Road Edgbaston Birmingham B15 3AA
Solicitors	Higgs & Sons 3 Waterfront Business Park Brierley Hill Dudley West Midlands DY5 1LX

ERODEX GRAPHITE SYSTEMS LIMITED

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ERODEX GRAPHITE SYSTEMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 28 FEBRUARY 2018

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

A 12.7% increase in turnover has seen the group perform strongly in what continues to be a challenging economic environment. Profit margins within our core business have increased overall, however heavy stock write downs in our carbon brush division and low margins in our tooling division has seen margins remain steady.

The group has retained a strong balance sheet with an excellent credit rating which is essential both to suppliers and customers alike. Staff costs and head count have increased in line with the growth in turnover whilst overheads have been kept under control and are in line with expectation for the level of business achieved.

The group continues to invest heavily in staff recruitment and has found it challenging to fill some positions due to the skills gap in the engineering sector.

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 current order book remains healthy and the directors are optimistic that the business will retain market share and profitability for the new financial year. The business continues to build on its strong customer base and diversify with new products and into related market segments

The group is continuing to look for ways to increase the productivity and profitability of the business and invest in modern plant and machinery and expand and modernise premises from which we operate.

ERODEX GRAPHITE SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2018

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:

	2018	2017
Turnover (£'000)	17,218	15,114
Gross profit (£'000)	7,060	6,093
Gross profit margin (%)	41	40
EBITDA (£'000)	4,224	3,477

The group balance sheet has been further strengthened by the performance of the company throughout the year. The current ratio has increased to 2.5:1 (2017 - 1.7:1) and cash reserves held increased by £289,441 (2017 - decrease of £752,875).

This report was approved by the board on 30 November 2018 and signed on its behalf.


Mr I N Rolinson
Director

ERODEX GRAPHITE SYSTEMS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2018**

The directors present their report and the financial statements for the year ended 28 February 2018.

Results and dividends

The profit for the year, after taxation, amounted to £2,059,495 (2017 - £1,471,002).

The directors have recommended a dividend of £405,000 (2017 - £22,425).

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.

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.


Post balance sheet events

On 1 May 2018 the company's subsidiary, Erodex (U.K.) Limited, purchased the assets and goodwill of a local specialist tool making company for consideration of £370,000.

Auditors

The auditors, Moore Stephens LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 November 2018 and signed on its behalf.



Mr I N Rolinson
Director

ERODEX GRAPHITE SYSTEMS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2018**

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.

ERODEX GRAPHITE SYSTEMS LIMITED

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

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 2018, 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 2018 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.

ERODEX GRAPHITE SYSTEMS LIMITED

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

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.

ERODEX GRAPHITE SYSTEMS LIMITED

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

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. 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
Moore Stephens LLP

Chartered Accountants and Statutory Auditor

35 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

30 November 2018

ERODEX GRAPHITE SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2018**

	Note	2018 £	2017 £
Turnover	4	17,218,057	15,114,169
Cost of sales		<u>(10,157,671)</u>	<u>(9,021,173)</u>
Gross profit		7,060,386	6,092,996
Administrative expenses		<u>(4,322,707)</u>	<u>(4,020,697)</u>
Other operating income	5	22,402	23,262
Operating profit	6	2,760,081	2,095,561
Interest receivable and similar income	9	6,004	5,584
Interest payable and expenses	10	<u>(35,802)</u>	<u>(44,856)</u>
Profit before taxation		2,730,283	2,056,289
Tax on profit	11	<u>(670,788)</u>	<u>(585,287)</u>
Profit for the financial year		2,059,495	1,471,002
Movement in foreign exchange reserve		39,389	(27,524)
Other comprehensive income for the year		39,389	(27,524)
Total comprehensive income for the year		2,098,884	1,443,478
Profit for the year attributable to:			
Owners of the parent company		<u>2,059,495</u>	<u>1,471,002</u>
Total comprehensive income for the year attributable to:			
Owners of the parent company		<u>2,098,884</u>	<u>1,443,478</u>

The notes on pages 15 to 38 form part of these financial statements.

ERODEX GRAPHITE SYSTEMS LIMITED
REGISTERED NUMBER: 07897780

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	13		4,051,333		4,893,719
Tangible assets	14		3,108,713		3,299,409
			<u>7,160,046</u>		<u>8,193,128</u>
Current assets					
Stocks	16	3,699,032		3,320,897	
Debtors: amounts falling due within one year	17	4,367,043		4,197,490	
Cash at bank and in hand	18	2,451,367		2,161,926	
		<u>10,517,442</u>		<u>9,680,313</u>	
Creditors: amounts falling due within one year	19	<u>(4,281,753)</u>		<u>(5,732,291)</u>	
Net current assets			6,235,689		3,948,022
Total assets less current liabilities			13,395,735		12,141,150
Creditors: amounts falling due after more than one year	20		-		(427,345)
Provisions for liabilities					
Deferred tax	23		(156,305)		(168,259)
Net assets			13,239,430		11,545,546
Capital and reserves					
Called up share capital	24		75		75
Share premium account	25		7,050,000		7,050,000
Foreign exchange reserve	25		11,865		(27,524)
Profit and loss account	25		6,177,490		4,522,995
			<u>13,239,430</u>		<u>11,545,546</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2018.


Mr I N Rolinson
 Director

The notes on pages 15 to 38 form part of these financial statements.

ERODEX GRAPHITE SYSTEMS LIMITED
REGISTERED NUMBER: 07897780

COMPANY BALANCE SHEET
AS AT 28 FEBRUARY 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Investments	15		17,487,075		17,487,075
Current liabilities					
Creditors: amounts falling due within one year	19	(10,413,796)		(9,968,457)	
Net current liabilities			(10,413,796)		(9,968,457)
Total assets less current liabilities			7,073,279		7,518,618
Creditors: amounts falling due after more than one year	20		-		(427,345)
Net assets			7,073,279		7,091,273
Capital and reserves					
Called up share capital	24		75		75
Share premium account	25		7,050,000		7,050,000
Profit and loss account brought forward		41,198		(205,213)	
Profit for the year		387,006		268,836	
Equity dividends paid		(405,000)		(22,425)	
Profit and loss account carried forward			23,204		41,198
			7,073,279		7,091,273

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2018.


Mr J N Rolinson
 Director

The notes on pages 15 to 38 form part of these financial statements.

ERODEX GRAPHITE SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2018**

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 March 2016	75	10,050,000	-	3,074,418	13,124,493
Comprehensive income for the year					
Profit for the year	-	-	-	1,471,002	1,471,002
Foreign exchange gain/(loss) on retranslation of subsidiaries	-	-	(27,524)	-	(27,524)
Total comprehensive income for the year	-	-	(27,524)	1,471,002	1,443,478
Contributions by and distributions to owners					
Equity dividends paid	-	-	-	(22,425)	(22,425)
Capital reduction	-	(3,000,000)	-	-	(3,000,000)
Total transactions with owners	-	(3,000,000)	-	(22,425)	(3,022,425)
At 1 March 2017	75	7,050,000	(27,524)	4,522,995	11,545,546
Comprehensive income for the year					
Profit for the year	-	-	-	2,059,495	2,059,495
Foreign exchange gain/(loss) on retranslation of subsidiaries	-	-	39,389	-	39,389
Total comprehensive income for the year	-	-	39,389	2,059,495	2,098,884
Contributions by and distributions to owners					
Equity dividends paid	-	-	-	(405,000)	(405,000)
Total transactions with owners	-	-	-	(405,000)	(405,000)
At 28 February 2018	75	7,050,000	11,865	6,177,490	13,239,430

The notes on pages 15 to 38 form part of these financial statements.

ERODEX GRAPHITE SYSTEMS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 March 2016	75	10,050,000	(205,213)	9,844,862
Profit for the year	-	-	268,836	268,836
Total comprehensive income for the year	-	-	268,836	268,836
Contributions by and distributions to owners				
Equity dividends paid	-	-	(22,425)	(22,425)
Capital reduction	-	(3,000,000)	-	(3,000,000)
Total transactions with owners	-	(3,000,000)	(22,425)	(3,022,425)
At 1 March 2017	75	7,050,000	41,198	7,091,273
Profit for the year	-	-	387,006	387,006
Total comprehensive income for the year	-	-	387,006	387,006
Contributions by and distributions to owners				
Equity dividends paid	-	-	(405,000)	(405,000)
Total transactions with owners	-	-	(405,000)	(405,000)
At 28 February 2018	75	7,050,000	23,204	7,073,279

The notes on pages 15 to 38 form part of these financial statements.

ERODEX GRAPHITE SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	2,059,495	1,471,002
Adjustments for:		
Amortisation of intangible assets	827,629	842,386
Depreciation of tangible assets	636,362	538,978
Loss on disposal of tangible assets	(35,310)	2,655
Interest paid	35,802	44,856
Interest received	(6,004)	(5,584)
Taxation charge	670,788	585,287
(Increase)/decrease in stocks	(378,135)	117,711
(Increase) in debtors	(134,217)	(1,208,394)
(Decrease)/increase in creditors	(336,700)	608,659
Increase/(decrease) in provisions	-	(64,904)
Corporation tax (paid)	(603,249)	(463,489)
Foreign exchange {gains}/losses on consolidation	119,425	(27,524)
Net cash generated from operating activities	2,855,886	2,441,639
Cash flows from investing activities		
Purchase of tangible fixed assets	(835,244)	(1,337,879)
Sale of tangible fixed assets	375,411	6,995
Interest received	6,004	5,584
Net cash inflow on acquisition of subsidiary	7,896	-
Net cash from investing activities	(445,933)	(1,325,300)

ERODEX GRAPHITE SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2018

	2018 £	2017 £
Cash flows from financing activities		
Repayment of loan notes	(903,126)	(725,781)
Repayment of finance leases	(3,038)	-
Loans due from/(repaid to) directors	(773,546)	(1,076,152)
Dividends paid	(405,000)	(22,425)
Interest paid	(35,802)	(44,856)
Net cash used in financing activities	<u>(2,120,512)</u>	<u>(1,869,214)</u>
Net increase/(decrease) in cash and cash equivalents	<u>289,441</u>	<u>(752,875)</u>
Cash and cash equivalents at beginning of year	2,161,926	2,914,801
Cash and cash equivalents at the end of year	<u><u>2,451,367</u></u>	<u><u>2,161,926</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>2,451,367</u></u>	<u><u>2,161,926</u></u>

The notes on pages 15 to 38 form part of these financial statements.

ERODEX GRAPHITE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

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 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 group statement of comprehensive income after or up to the date that control passes respectively.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

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 profit and loss 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 profit or loss.

ERODEX GRAPHITE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

2. Accounting policies (continued)

2.6 Operating leases: Lessee

Rentals paid under operating leases are charged to profit or loss 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 profit or loss.

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.

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 profit or loss.

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.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

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 or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the 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 or loss 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.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

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 or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company 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 profit or loss in the year it is incurred, unless it meets the criteria for capitalisation.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

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.

	2018 £	2017 £
United Kingdom	13,520,116	12,517,357
Rest of Europe	1,834,918	1,199,485
Rest of the world	1,863,023	1,397,327
	<u>17,218,057</u>	<u>15,114,169</u>

5. Other operating income

	2018 £	2017 £
Income from rental of machinery	22,402	23,262
	<u>22,402</u>	<u>23,262</u>

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

6. Operating profit

The operating profit is stated after charging:

	2018	<i>2017</i>
	£	£
Research & development charged as an expense	205,000	<i>240,000</i>
Amortisation of intangible assets, including goodwill	827,629	<i>842,386</i>
Depreciation of owned tangible fixed assets	628,476	<i>538,978</i>
Loss/(profit) on disposal of fixed assets	(35,310)	<i>2,655</i>
Fees payable to the group's auditor for the audit of the company's annual financial statements	4,000	<i>2,000</i>
Fees payable to the group's auditors for other services to the group:		
- The audit of the group's subsidiaries pursuant to legislation	17,000	<i>14,000</i>
- Taxation compliance services	2,500	<i>2,500</i>
Exchange differences	239,774	<i>(109,518)</i>
Stock recognised as an expense	7,715,359	<i>6,748,670</i>
Operating lease rentals - land and buildings	237,378	<i>189,139</i>
Operating lease rentals - other	71,347	<i>68,530</i>
Defined contribution pension cost	53,737	<i>105,042</i>

The amortisation of intangible assets includes £802,386 (2017 - £802,386) in respect of goodwill on consolidation.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

7. Employees

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

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Wages and salaries	3,239,924	2,803,031	-	-
Social security costs	332,531	298,192	-	-
Cost of defined contribution scheme	53,737	105,042	-	-
	<u>3,626,192</u>	<u>3,206,265</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:

	2018 No.	<i>2017 No.</i>
Production	65	57
Distribution	10	10
Administrative	27	22
	<u>102</u>	<u>89</u>

The company has no employees other than the directors, who did not receive any remuneration (2017 - £NIL)

8. Directors' remuneration

	2018 £	<i>2017 £</i>
Directors' emoluments	120,119	201,553
Contributions to pension schemes	-	60,000
	<u>120,119</u>	<u>261,553</u>

During the year retirement benefits were accruing to no directors (2017 - 3) in respect of defined contribution pension schemes.

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

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

9. Interest receivable

	2018 £	2017 £
Bank interest receivable	<u>6,004</u>	<u>5,584</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	3,581	-
Other loan interest payable	13,515	13,692
Other interest payable	18,706	31,164
	<u>35,802</u>	<u>44,856</u>

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	665,000	580,000
Adjustments in respect of previous periods	17,438	33,271
Foreign tax		
Foreign tax on income for the year	304	-
Total current tax	<u>682,742</u>	<u>613,271</u>
Deferred tax		
Origination and reversal of timing differences	(10,271)	(8,360)
Changes to tax rates	(1,683)	(19,624)
Total deferred tax	<u>(11,954)</u>	<u>(27,984)</u>
Taxation on profit on ordinary activities	<u>670,788</u>	<u>585,287</u>

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.08% (2017 - 20.00%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>2,730,283</u>	<u>2,056,289</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.08% (2017 - 20.00%)	520,938	411,258
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	160,727	160,477
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,272	13,062
Capital allowances for year in excess of depreciation	(7,607)	-
Adjustments to tax charge in respect of prior periods	17,438	33,271
Research and development tax credits	(50,776)	(61,636)
Fixed asset profit on disposal	(7,849)	-
Unrelieved tax losses carried forward	36,298	51,417
Rounding on tax charge	1,030	(2,938)
Change in tax rate	(1,683)	(19,624)
Total tax charge for the year	<u>670,788</u>	<u>585,287</u>

Factors that may affect future tax charges

The UK corporation tax rate is set to go down to 17% by 2020.

12. Dividends

	2018 £	2017 £
Ordinary		
Dividends paid	<u>405,000</u>	<u>22,425</u>

ERODEX GRAPHITE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018

13. Intangible assets

Group

	Goodwill on consolidation £	Goodwill £	Total £
Cost			
At 1 March 2017	8,023,859	925,289	8,949,148
Additions	(14,757)	-	(14,757)
At 28 February 2018	<u>8,009,102</u>	<u>925,289</u>	<u>8,934,391</u>
Amortisation			
At 1 March 2017	3,410,140	645,289	4,055,429
Charge for the year	787,629	40,000	827,629
At 28 February 2018	<u>4,197,769</u>	<u>685,289</u>	<u>4,883,058</u>
Net book value			
At 28 February 2018	<u>3,811,333</u>	<u>240,000</u>	<u>4,051,333</u>
At 28 February 2017	<u>4,613,719</u>	<u>280,000</u>	<u>4,893,719</u>

Company

The company has no intangible fixed assets.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

14. Tangible fixed assets

Group

	Freehold land and buildings £	Leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation						
At 1 March 2017	619,991	133,678	6,128,849	122,927	978,926	7,984,371
Additions	-	-	720,548	51,695	63,001	835,244
Acquisition of subsidiary	-	-	-	30,559	-	30,559
Disposals	(342,336)	-	-	(27,497)	(69,954)	(439,787)
Exchange adjustments	-	-	(87,788)	(851)	(2,912)	(91,551)
At 28 February 2018	<u>277,655</u>	<u>133,678</u>	<u>6,761,609</u>	<u>176,833</u>	<u>969,061</u>	<u>8,318,836</u>
Depreciation						
At 1 March 2017	14,688	119,044	3,817,875	55,843	677,512	4,684,962
Charge for the year	2,616	2,076	529,927	21,659	80,084	636,362
Disposals	(6,840)	-	-	(23,630)	(69,216)	(99,686)
Exchange adjustments	-	-	(10,897)	(182)	(436)	(11,515)
At 28 February 2018	<u>10,464</u>	<u>121,120</u>	<u>4,336,905</u>	<u>53,690</u>	<u>687,944</u>	<u>5,210,123</u>
Net book value						
At 28 February 2018	<u><u>267,191</u></u>	<u><u>12,558</u></u>	<u><u>2,424,704</u></u>	<u><u>123,143</u></u>	<u><u>281,117</u></u>	<u><u>3,108,713</u></u>
At 28 February 2017	<u><u>605,303</u></u>	<u><u>14,634</u></u>	<u><u>2,310,974</u></u>	<u><u>67,084</u></u>	<u><u>301,414</u></u>	<u><u>3,299,409</u></u>

Included within freehold land and buildings is an investment property costing £342,337 (2017 - £342,337) the directors the current value is not materially different to this amount.

Land costing £146,571 (2017 - £146,571) is included within freehold land and buildings and is not depreciated.

Company

The company has no fixed assets

ERODEX GRAPHITE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018

15. Fixed asset investments

Group

	Unlisted investments £
At 1 March 2017	220,000
Disposals	(220,000)
At 28 February 2018	-
At 1 March 2017	220,000
Impairment on disposals	(220,000)
At 28 February 2018	-
At 28 February 2018	-
At 28 February 2017	-

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

15. Fixed asset investments (continued)

Direct subsidiary undertakings

The following are subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Erodex (U.K.) Limited	Ordinary	100 %	See below

Erodex (U.K.) Limited is 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 subsidiary undertakings of the group:

Name	Class of shares	Holding	Principal activity
Engineering Carbon Products Limited	Ordinary	100 %	Dormant
A.F. Shaw Precision Grinding Limited	Ordinary	100 %	Dormant
BWP Technical Services Limited	Ordinary	100 %	Dormant
Erodex, Inc.	Ordinary	100 %	See below
Tooling Supplies CZ s.r.o.	Ordinary	100 %	See below

Engineering Carbon Products Limited, A.F. Shaw Precision Grinding Limited and BWP Technical Services Limited are incorporated in England and Wales and domiciled in England. Their registered offices are all Unit 6 Tipper Industrial Estate, Park Road, Halesowen, West Midlands, B63 2RH and they are all dormant companies.

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.

During the year the company purchased 100% of the issued share capital of Tooling Supplies CZ s.r.o., a company incorporated and domiciled in the Czech Republic. Its registered office is B. Nemcové 221, Pržtné 760 01 Zlín, Czech Republic. Its principal activity is the distribution of jigs, fixtures and other holding equipment. Further details of the acquisition of Tooling Supplies CZ can be found at note 27.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 March 2017	17,487,075
At 28 February 2018	17,487,075
 Net book value	
At 28 February 2018	17,487,075
At 28 February 2017	17,487,075

16. Stocks

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Work in progress	269,637	102,880	-	-
Finished goods	3,429,395	3,218,017	-	-
	3,699,032	3,320,897	-	-

An impairment loss of £142,011 (2017 - £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

17. Debtors

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Trade debtors	4,276,237	4,103,444	-	-
Other debtors	8,588	24,961	-	-
Prepayments and accrued income	82,218	69,085	-	-
	<u>4,367,043</u>	<u>4,197,490</u>	<u>-</u>	<u>-</u>

18. Cash and cash equivalents

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Cash at bank and in hand	2,451,367	2,161,926	-	-

19. Creditors: due within one year

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Loan notes	-	475,781	-	475,781
Trade creditors	909,543	994,923	-	-
Amounts owed to group undertakings	-	-	8,549,421	6,336,958
Corporation tax	304,827	225,334	-	-
Other taxation and social security	380,459	444,981	-	-
Obligations under finance lease and hire purchase contracts	11,895	-	-	-
Directors loan accounts	2,539,018	3,312,564	1,864,375	3,150,875
Accruals and deferred income	136,011	278,708	-	4,843
	<u>4,281,753</u>	<u>5,732,291</u>	<u>10,413,796</u>	<u>9,968,457</u>

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

20. Creditors: due after more than one year

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Loan notes	-	427,345	-	427,345

Loan notes are unsecured, are repayable at the rate of £475,781 per annum and carry interest at 2% above the Base of England base rate. All loan notes were fully repaid in the year.

21. Loans

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Amounts falling due within one year				
Loan notes	-	475,781	-	475,781
Amounts falling due 1-2 years				
Loan notes	-	427,345	-	427,345
	-	903,126	-	903,126

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

22. Financial instruments

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Financial assets				
Financial assets measured at fair value through profit or loss	2,451,367	2,161,926	-	-
Financial assets that are debt instruments measured at amortised cost	4,284,825	4,128,405	-	-
	<u>6,736,192</u>	<u>6,290,331</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(3,976,925)</u>	<u>(2,176,757)</u>	<u>(10,413,796)</u>	<u>(10,395,802)</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 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.

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.

ERODEX GRAPHITE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018

23. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	(168,259)	(196,243)
Charged to profit or loss	11,954	27,984
At end of year	(156,305)	(168,259)

The provision for deferred taxation is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	(156,305)	(168,259)

Company

The company had a deferred tax liability of £Nil (2017 - £Nil).

ERODEX GRAPHITE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018

24. Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
75 (2017 - 75) Ordinary shares of £1.00 each	<u>75</u>	<u>75</u>

25. 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.

26. Parent company profit for the year

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 profit after tax of the parent company for the year was £387,006 (2017 - £268,836).

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

27. Business combinations

On 19 July 2017 the company's subsidiary, Erodex (U.K.) Limited, purchased 100% of the issued share capital of Tooling Supplies CZ s.r.o.. Details of the transaction are as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value	Fair value
	£	£
Fixed assets		
Tangible	30,559	30,559
	<u>30,559</u>	<u>30,559</u>
Current assets		
Debtors	53,264	53,264
Cash at bank and in hand	8,952	8,952
	<u>92,775</u>	<u>92,775</u>
Total assets		
Creditors		
Due within one year	(76,962)	(76,962)
	<u>15,813</u>	<u>15,813</u>
Total identifiable net assets		
Negative goodwill		(14,757)
Total purchase consideration		<u>1,056</u>
Consideration		
		£
Cash		1,056
Total purchase consideration		<u>1,056</u>
Cash outflow on acquisition		
		£
Purchase consideration settled in cash, as above		1,056
Less: Cash and cash equivalents acquired		(8,952)
Net cash outflow/(inflow) on acquisition		<u>(7,896)</u>

ERODEX GRAPHITE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018

27. Business combinations (continued)

The results of Tooling Supplies CZ s.r.o. since its acquisition are as follows:

	Current period since acquisition £
Turnover	58,808
Loss for the year	(19,658)

28. Capital commitments

At 28 February 2018 the group had capital commitments as follows:

	Group 2018 £	Group 2017 £
Contracted for but not provided in these financial statements	240,000	-

The company had no capital commitments at the year end.

29. 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 £53,737 (2017 - £105,042).

Contributions totalling £9,022 (2017 - £3,926) were payable to the fund at the balance sheet date.

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

30. Commitments under operating leases

At 28 February 2018 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	<i>Group 2017 £</i>
Land and buildings		
Not later than 1 year	241,704	<i>118,792</i>
Later than 1 year and not later than 5 years	820,377	<i>470,520</i>
Later than 5 years	678,884	<i>66,293</i>
	<u>1,740,965</u>	<i><u>655,605</u></i>
	Group 2018 £	<i>Group 2017 £</i>
Other operating leases		
Not later than 1 year	70,427	<i>61,410</i>
Later than 1 year and not later than 5 years	90,333	<i>84,251</i>
Later than 5 years	752	<i>10,522</i>
	<u>161,512</u>	<i><u>156,183</u></i>

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

ERODEX GRAPHITE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

31. 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 company. These premises are leased to the company under a formal arrangement. During the year, the sum of £64,900 (2017 - £64,050) was charged to the company 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 company. These premises are leased to the company under a formal arrangement. During the year, the sum of £33,500 (2017 - £33,500) was charged to the company 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 company. These premises are leased to the company under a formal arrangement. During the year, the sum of £38,500 (2017 - £38,500) was charged to the company 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 - £861,874 (2017 - £1,026,669), net interest due of £3,192 (2017 - £2,353)

I N Rolinson - £838,387 (2017 - £1,147,305), net interest due of £4,190 (2017 - £4,805)

J E Rolinson - £838,756 (2017 - £1,138,589), net interest due of £3,429 (2017 - £3,794)

Within creditors due within one year is an amount of £Nil (2017 - £475,781) and within creditors due in more than one year an amount of £Nil (2017 - £427,345) due to R E Rolinson, a former director of the company. Included within these amounts is net interest due of £Nil (2017 - £4,843). Interest charged in the year on the loan notes was £17,994 (2017 - £31,164).

32. Post balance sheet events

On 1 May 2018 the company's subsidiary, Erodex (U.K.) Limited, purchased the assets and goodwill of a local specialist tool making company for consideration of £370,000.

33. Controlling party

The controlling party of the company is the Rolinson family.