

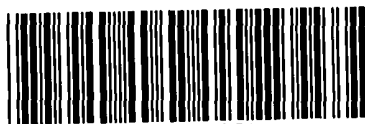
# **Erlson Precision Components Limited**

Registered number: 01117058

## **Directors' report and financial statements**

**For the year ended 31 March 2017**

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# ERLSON PRECISION COMPONENTS LIMITED

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## COMPANY INFORMATION

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<b>Directors</b>	P A Clarkson D P Haigh L R Litwinowicz P F Lombardi G Vickers (appointed 12 May 2016, resigned 6 October 2016) M J Corns (appointed 19 August 2016)
<b>Company secretary</b>	L R Litwinowicz
<b>Registered number</b>	01117058
<b>Registered office</b>	5 The Courtyard Timothy's Bridge Road Stratford upon Avon Warwickshire United Kingdom CV37 9NP
<b>Independent auditor</b>	Mazars LLP Chartered Accountants & Statutory Auditor 45 Church Street Birmingham B3 2RT
<b>Bankers</b>	HSBC Bank Plc Liverpool L69 2BZ

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# **ERLSON PRECISION COMPONENTS LIMITED**

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## **CONTENTS**

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	<b>Page</b>
<b>Strategic Report</b>	<b>1</b>
<b>Directors' Report</b>	<b>2 - 3</b>
<b>Independent Auditor's Report</b>	<b>4 - 5</b>
<b>Statement of Comprehensive Income</b>	<b>6</b>
<b>Statement of Financial Position</b>	<b>7</b>
<b>Statement of Changes in Equity</b>	<b>8</b>
<b>Notes to the Financial Statements</b>	<b>9 - 23</b>

# ERLSON PRECISION COMPONENTS LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

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### Business review

The Company experienced a revenue increase of 9% year on year through growth in existing programmes and existing customer base. The Company secured new long term agreements with its largest customer to 2022 on existing programmes and a new customer to 2021 for a new project. During the coming financial year the Company anticipates securing further long term agreements on new projects that have been in progress during the course of 2016/17.

The growth in sales reported in the year was underpinned by investments in additional capacity from the prior year as well as 2016/17. Gross margin during the year second half of the year improved (versus 2015/16) year with the completion investment for additional capacity and improvements to operational efficiency.

The Company is positioned for further growth in 2017/18, however pricing pressures, technical demands, foreign exchange rate volatility and cost control are key to ensuring the Company remains competitive in an increasingly aggressive automotive sector.

### Principal risks and uncertainties

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

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

Continued European economic uncertainty also presents a significant risk to the company.

### Financial key performance indicators

The results for the year show a gross profit of £1.5million (2016: £0.6million) on a turnover of £15.8million (2016: £14.5million). This improvement in margin was seen in the second half of the year as a result of completion of installation of new capacity which led to improved operational efficiencies.

The resultant EBITDA for the year of £612k (2016: £38k) reflects the improvements to gross margin.

Net debt increased by £0.2m to £3.9m in 2017 as a result of £0.9m of capital investment and working capital activities.

This report was approved by the board on 2 November 2017 and signed on its behalf.

P F Lombardi  
Director



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# ERLSON PRECISION COMPONENTS LIMITED

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017**

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The directors present their report and the financial statements for the year ended 31 March 2017.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Results and dividends**

The loss for the year, after taxation, amounted to £245,494 (2016 - loss £1,323,499).

The directors have not recommended the payment of any dividends (2015 £Nil).

### **Directors**

The directors who served during the year were:

P A Clarkson

D P Haigh

L R Litwinowicz

P F Lombardi

G Vickers (appointed 12 May 2016, resigned 6 October 2016)

M J Corns (appointed 19 August 2016)

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## ERLSON PRECISION COMPONENTS LIMITED

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017**

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#### **Qualifying third party indemnity provisions**

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

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

#### **Disclosure of information to auditor**

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

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

#### **Post balance sheet events**

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

#### **Auditor**

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

This report was approved by the board on 2 November 2017 and signed on its behalf.

P F Lombardi  
Director



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# **ERLSON PRECISION COMPONENTS LIMITED**

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ERLSON PRECISION COMPONENTS LIMITED**

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We have audited the financial statements of Erlson Precision Components Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of the audit:

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

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## ERLSON PRECISION COMPONENTS LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ERLSON PRECISION COMPONENTS LIMITED

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#### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Ian Holder (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
45 Church Street  
Birmingham  
B3 2RT

3 November 2017



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## ERLSON PRECISION COMPONENTS LIMITED

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### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

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	Note	2017 £	2016 £
Turnover	4	15,805,238	14,519,509
Cost of sales		(14,324,319)	(13,967,435)
<b>Gross profit</b>		<b>1,480,919</b>	<b>552,074</b>
Distribution costs		(190,989)	(187,100)
Administrative expenses		(1,544,185)	(1,465,464)
Exceptional administrative expenses		(8,189)	(10,371)
Other operating income	5	68,191	68,191
<b>Operating loss</b>	6	<b>(194,253)</b>	<b>(1,042,670)</b>
Interest payable and expenses	9	(490,079)	(433,936)
<b>Loss before tax</b>		<b>(684,332)</b>	<b>(1,476,606)</b>
Tax on loss	10	438,838	153,107
<b>Loss for the financial year</b>		<b>(245,494)</b>	<b>(1,323,499)</b>
Earnings before interest, taxation, depreciation and amortisation ('EBITDA')		612,340	38,395

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 9 to 23 form part of these financial statements.

**ERLSON PRECISION COMPONENTS LIMITED**  
**REGISTERED NUMBER: 01117058**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	12	65,285	87,194
Tangible assets	13	6,174,312	6,022,446
		<u>6,239,597</u>	<u>6,109,640</u>
<b>Current assets</b>			
Stocks	14	1,075,780	1,106,844
Debtors: amounts falling due within one year	15	2,678,267	2,125,497
Cash at bank and in hand	16	304,634	555,169
		<u>4,058,681</u>	<u>3,787,510</u>
Creditors: amounts falling due within one year	17	<u>(6,037,950)</u>	<u>(4,788,050)</u>
<b>Net current liabilities</b>		<u>(1,979,269)</u>	<u>(1,000,540)</u>
<b>Total assets less current liabilities</b>		<u>4,260,328</u>	<u>5,109,100</u>
Creditors: amounts falling due after more than one year	18	<u>(2,184,464)</u>	<u>(2,787,742)</u>
<b>Net assets</b>		<u><u>2,075,864</u></u>	<u><u>2,321,358</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	20,000	20,000
Profit and loss account		<u>2,055,864</u>	<u>2,301,358</u>
		<u><u>2,075,864</u></u>	<u><u>2,321,358</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
**2 NOVEMBER 2017**

**P F Lombardi**  
 Director

The notes on pages 9 to 23 form part of these financial statements.

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## ERLSON PRECISION COMPONENTS LIMITED

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### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	20,000	2,301,358	2,321,358
<b>Comprehensive income for the year</b>			
Loss for the year	-	(245,494)	(245,494)
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	(245,494)	(245,494)
<b>At 31 March 2017</b>	<b>20,000</b>	<b>2,055,864</b>	<b>2,075,864</b>

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	20,000	3,624,857	3,644,857
<b>Comprehensive income for the year</b>			
Loss for the year	-	(1,323,499)	(1,323,499)
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	(1,323,499)	(1,323,499)
<b>At 31 March 2016</b>	<b>20,000</b>	<b>2,301,358</b>	<b>2,321,358</b>

The notes on pages 9 to 23 form part of these financial statements.

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# ERLSON PRECISION COMPONENTS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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### 1. General information

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

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Erlson Precision Holdings Limited as at 31 March 2017 and these financial statements may be obtained from the registered office.

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## ERLSON PRECISION COMPONENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 2. Accounting policies (continued)

##### 2.3 Revenue

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

##### **Sale of goods**

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

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 2.4 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 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 Statement of Comprehensive Income over its useful economic life.

##### **Other intangible assets**

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

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

##### 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.

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# ERLSON PRECISION COMPONENTS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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### 2. Accounting policies (continued)

#### 2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

#### 2.7 Debtors

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

#### 2.8 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.

#### 2.9 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.

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# ERLSON PRECISION COMPONENTS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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### 2. Accounting policies (continued)

#### 2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

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

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 Statement of Comprehensive Income.

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

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

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

#### 2.11 Finance costs

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

#### 2.12 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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## **ERLSON PRECISION COMPONENTS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

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#### **2. Accounting policies (continued)**

##### **2.13 Pensions**

###### **Defined contribution pension plan**

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

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

##### **2.14 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

##### **2.15 Current and deferred taxation**

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; 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 reporting date.

##### **2.16 Exceptional items**

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



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# ERLSON PRECISION COMPONENTS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

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

#### Depreciation and residual values

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

### 4. Turnover

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

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	1,845,735	1,844,254
Rest of Europe	13,959,502	12,675,255
	<u>15,805,237</u>	<u>14,519,509</u>

### 5. Other operating income

	2017 £	2016 £
Other operating income	<u>68,191</u>	<u>68,191</u>

### 6. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	776,145	1,050,914
Amortisation of intangible assets, including goodwill	22,259	19,780
Other operating lease rentals	25,973	28,991
Defined contribution pension cost	<u>166,840</u>	<u>162,523</u>

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## ERLSON PRECISION COMPONENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	14,125	13,650
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
All other services	<u>300</u>	<u>280</u>

#### 8. Employees

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	6,880,566	6,642,662
Social security costs	654,530	634,389
Cost of defined contribution scheme	166,840	162,523
	<u>7,701,936</u>	<u>7,439,574</u>

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

	2017 No.	2016 No.
Direct production	200	199
Indirect production	48	46
Admin and sales	3	3
	<u>251</u>	<u>248</u>

#### 9. Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	273,571	253,822
Finance leases and hire purchase contracts	216,508	180,114
	<u>490,079</u>	<u>433,936</u>

# ERLSON PRECISION COMPONENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 10. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	(188,396)	(139,427)
Adjustments in respect of previous periods	-	(13,680)
<b>Total current tax</b>	<b>(188,396)</b>	<b>(153,107)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(250,442)	-
<b>Taxation on loss on ordinary activities</b>	<b>(438,838)</b>	<b>(153,107)</b>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	(684,332)	(1,476,606)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	(136,866)	(295,321)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	1,908
Capitalised expenses deductible for tax purposes	(27,076)	-
Other timing differences leading to an increase (decrease) in taxation	(33,954)	(45,906)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(188,396)	(139,427)
Enhanced research and development expenditure	146,875	-
Unprovided deferred tax	(36,389)	(34,019)
Unrelieved tax losses carried forward	87,410	359,658
Deferred tax recognised on trading losses	(250,442)	-
<b>Total tax charge/(credit) for the year</b>	<b>(438,838)</b>	<b>(153,107)</b>

#### Factors that may affect future tax charges

The group has approximately £6.9m (2016: £6.5m) of carry-forward tax losses which will significantly effect tax payments in future years.

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## ERLSON PRECISION COMPONENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 11. Exceptional items

	2017 £	2016 £
Employee settlement agreement and other professional costs	-	10,371
Legal fees in respect of refinancing	8,189	-
	<u>8,189</u>	<u>10,371</u>

#### 12. Intangible assets

	Software £
<b>Cost</b>	
At 1 April 2016	117,536
Additions	349
At 31 March 2017	<u>117,885</u>
<b>Amortisation</b>	
At 1 April 2016	30,341
Charge for the year	22,259
At 31 March 2017	<u>52,600</u>
<b>Net book value</b>	
At 31 March 2017	<u>65,285</u>
At 31 March 2016	<u>87,194</u>

# **ERLSON PRECISION COMPONENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

### **13. Tangible fixed assets**

	Freehold property £	Plant & machinery £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 April 2016	1,289,937	29,069,344	83,484	30,442,765
Additions	2,229	914,844	10,938	928,011
At 31 March 2017	1,292,166	29,984,188	94,422	31,370,776
<b>Depreciation</b>				
At 1 April 2016	422,914	23,963,823	33,582	24,420,319
Charge for the year on owned assets	28,503	720,686	26,956	776,145
At 31 March 2017	451,417	24,684,509	60,538	25,196,464
<b>Net book value</b>				
At 31 March 2017	840,749	5,299,679	33,884	6,174,312
At 31 March 2016	867,023	5,105,521	49,902	6,022,446

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

	2017 £	2016 £
Plant and machinery	2,192,546	2,062,276

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## ERLSON PRECISION COMPONENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 14. Stocks

	2017 £	2016 £
Raw materials and consumables	444,003	583,313
Work in progress (goods to be sold)	302,503	220,574
Finished goods and goods for resale	329,274	302,957
	<u>1,075,780</u>	<u>1,106,844</u>

#### 15. Debtors

	2017 £	2016 £
Trade debtors	1,957,886	1,699,590
Other debtors	66,883	106,571
Prepayments and accrued income	214,660	179,909
Tax recoverable	188,396	139,427
Deferred taxation	250,442	-
	<u>2,678,267</u>	<u>2,125,497</u>

#### 16. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>304,634</u>	<u>555,169</u>

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## ERLSON PRECISION COMPONENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 17. Creditors: Amounts falling due within one year

	2017 £	2016 £
Other loans	1,819,887	1,392,976
Trade creditors	1,958,290	2,073,236
Amounts owed to group undertakings	1,301,315	116,499
Other taxation and social security	171,640	224,506
Obligations under finance lease and hire purchase contracts	551,746	476,819
Accruals and deferred income	235,072	504,014
	<u>6,037,950</u>	<u>4,788,050</u>

#### Secured loans

Included in the other loans balance is £1,522,486 (2016: £1,131,177) which is secured by a fixed and floating charge over the trade debtors of the company. The remaining balance of £297,401 (2016 £261,799) is secured by a fixed and floating charge over the assets of the company.

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

#### 18. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Other loans	1,105,796	1,403,197
Net obligations under finance leases and hire purchase contracts	680,104	917,790
Accruals and deferred income	398,564	466,755
	<u>2,184,464</u>	<u>2,787,742</u>

#### Secured loans

Included in the other loans balance is £1,105,796 (2016: £1,403,197) which is secured by a fixed and floating charge over the assets of the company.

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

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## ERLSON PRECISION COMPONENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 19. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Other loans	1,819,887	1,392,976
<b>Amounts falling due 2-5 years</b>		
Other loans	1,105,796	1,403,197
	<u>2,925,683</u>	<u>2,796,173</u>

#### 20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	551,746	476,819
Between 1-2 years	438,734	484,112
Between 2-5 years	241,370	433,678
	<u>1,231,850</u>	<u>1,394,609</u>

#### 21. Deferred taxation

	2017 £
Charged to profit or loss	250,442
<b>At end of year</b>	<u>250,442</u>

The deferred tax asset is made up as follows:

	2017 £
Tax losses carried forward	250,442
	<u>250,442</u>



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## ERLSON PRECISION COMPONENTS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 22. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
20,000 Ordinary shares of £1 each	20,000	20,000

#### 23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £178,122 (2016 - £162,523). Contributions totalling £26,193 (2016 - £26,255) were payable to the fund at the balance sheet date and are included in creditors.

#### 24. Commitments under operating leases

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	36,843	46,258
Later than 1 year and not later than 5 years	32,038	38,220
Later than 5 years	-	32,038
	68,881	116,516

#### 25. Related party transactions

The company is a wholly owned subsidiary of Erlson Precisions Holdings Limited and is included in the consolidated financial statements of Erlson Precision Holdings Limited, which are publicly available.

Consequently the company has taken advantage of the exemption under FRS 102 from disclosing related party transactions with entities that are at least 100% owned by the Erlson Precision Holdings Limited group.

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## **ERLSON PRECISION COMPONENTS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

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#### **26. Controlling party**

At 31 March 2017 the ultimate parent undertaking is Erlson Precision Holdings Limited, a company registered in England and Wales. Copies of the Erlson Precision Holdings Limited financial statements may be obtained from the Company Secretary, 5 The Courtyard, Timothy's Bridge Road, Stratford upon Avon, Warwickshire, CV37 9NP.

The ultimate controlling party is considered to be the David Grove Discretionary Will Trust due to its 61.4% interest in the equity share capital of the parent company.