

Registered number: 01275175

**ANTI-FRICTION COMPONENTS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**



## **ANTI-FRICTION COMPONENTS LIMITED**

### **COMPANY INFORMATION**

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**DIRECTORS**

M G Bandelli  
A M Bianchi  
A Fauda (appointed 12 May 2017)

**COMPANY SECRETARY**

W J Price

**REGISTERED NUMBER**

01275175

**REGISTERED OFFICE**

32 Monk Street  
Abergavenny  
Monmouthshire  
NP7 5NW

**INDEPENDENT AUDITORS**

Bishop Fleming LLP  
Chartered Accountants & Statutory Auditors  
16 Queen Square  
Bristol  
BS1 4NT

# ANTI-FRICTION COMPONENTS LIMITED

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**ANTI-FRICTION COMPONENTS LIMITED**

**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**INTRODUCTION**

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

**BUSINESS REVIEW**

The improved trading conditions in the latter stages of 2016 continued throughout 2017 resulting in record sales growth of over 11% propelling the annual turnover to more than £15million. Simultaneously the gross profit percentage remained stable, so the increased sales flowed through to significantly impact the bottom line. The financial performance was further enhanced by the full and successful execution of our cost restructuring plan of late 2016 which, now fully implemented positions the company on solid financial foundations going forward. The combination of the rising sales and reducing costs boosted efficiencies with sales per person improving from £155k to £184k. Additionally, during this period there was a considerable progress made stabilising and augmenting the finance department which will help us to react quicker and plan better in the future. The EBITDA in 2017 progressed by 930% to £750k and Share Capital increased from £12k to £500k because of the better financial performance.

Growth was spread around the branch network, through all major product sectors. New business generation was particularly strong as we exceeded our target of £1million of new business sales for the year. We made gains into our sustainable target markets of Food & Beverage, Waste & Recycling and Renewable Energy. The company also went online in 2017 with the successful implementation of our fully integrated web shop.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The economic outlook for 2018 remains positive in our market in the UK. However, we experienced in 2016 the short-term effect of a political shock after the surprise Brexit vote and the ensuing currency and market turbulence. With Brexit uncertainty still on the horizon we must continue to be prudent with our investments in the short and medium term until the picture becomes clearer and more stable in the future. Pricing is also subject to inflationary pressures from many directions at the start of 2018 so we must ensure that our margins are maintained through close analysis of trends.

**FINANCIAL KEY PERFORMANCE INDICATORS**

Sales per working day (SPWD) increased by 12.3% in the year to £61,329 (2016; £54,612).

Sales per person (full time equivalent) increased during the year to £183,987 (2016; £154,555), an 19.0% increase.

The acid ratio test as at 31 December 2017 improved to 0.84 (31 December 2016: 0.72).

## ANTI-FRICTION COMPONENTS LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### FUTURE DEVELOPMENTS

In 2018 we continue the upgrade of our commercial network with the relocation of our Birmingham operation and cosmetic improvements to our existing site in Swansea.

We have a comprehensive Sales & Marketing plan for the business in 2018 which will continue to orientate the business onto the commercial high-ground of the future becoming a knowledge partner to our customers by supplying cutting-edge products and services particularly in sustainable industries.

We actively continue to look at acquisition opportunities to underpin our growth in the medium and long term.

#### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Cash flow and funding levels are monitored on a daily basis to ensure that we efficiently utilise the resources available to the company.

The Group is implementing a European-wide programme of expansion through acquisition, group funding is being made available for all expansion projects that have been and will be identified that fall in line with the group expansion policy.

This report was approved by the board on 15 May 2018 and signed on its behalf.



A M Bianchi  
Director

**ANTI-FRICTION COMPONENTS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 profit for the year, after taxation, amounted to £357,162 (2016: loss £230,457).

**DIRECTORS**

The directors who served during the year were:

R W Davis (resigned 30 September 2017)  
M G Bandelli  
A M Bianchi  
A Fauda (appointed 12 May 2017)

**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'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's auditors are aware of that information.

**POST BALANCE SHEET EVENTS**

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

**ANTI-FRICTION COMPONENTS LIMITED**

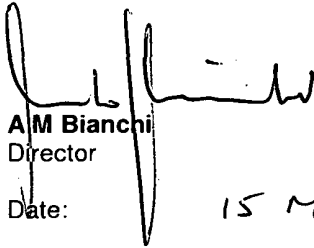
**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**AUDITORS**

The auditors, Bishop Fleming LLP, were appointed in the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**A.M. Bianchi**  
Director

Date:

15 May 2018

32 Monk Street  
Abergavenny  
Monmouthshire  
NP7 5NW

## **ANTI-FRICTION COMPONENTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTI-FRICTION COMPONENTS LIMITED**

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#### **OPINION**

We have audited the financial statements of Anti-Friction Components Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the 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 company's affairs as at 31 December 2017 and of its 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 company 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our 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.



## **ANTI-FRICTION COMPONENTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTI-FRICTION COMPONENTS LIMITED (CONTINUED)**

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

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

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

#### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

**ANTI-FRICTION COMPONENTS LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTI-FRICTION COMPONENTS LIMITED  
(CONTINUED)**

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**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.



Joseph Scaife FCA (Senior statutory auditor)  
for and on behalf of

**Bishop Fleming LLP**  
Chartered Accountants  
Statutory Auditors  
16 Queen Square

Bristol

BS1 4NT

Date:

25/5/18

**ANTI-FRICTION COMPONENTS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Note</b>	<b>2017 £</b>	<b>2016 £</b>
Turnover	4	<b>15,270,903</b>	13,600,804
Cost of sales		<b>(10,070,955)</b>	(8,887,994)
<b>GROSS PROFIT</b>		<b>5,199,948</b>	4,712,810
Distribution costs		<b>(3,475,087)</b>	(3,551,456)
Administrative expenses		<b>(1,171,499)</b>	(1,245,980)
Exceptional administrative expenses		-	(135,465)
Other operating income	5	<b>32,484</b>	85,038
<b>OPERATING PROFIT/(LOSS)</b>	6	<b>585,846</b>	(135,053)
Interest payable and expenses	9	<b>(144,866)</b>	(138,523)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>440,980</b>	(273,576)
Tax on profit/(loss)	10	<b>(83,818)</b>	43,119
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>357,162</b>	(230,457)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>357,162</b>	(230,457)

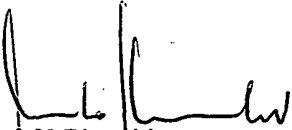
There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

The notes on pages 12 to 26 form part of these financial statements.

**ANTI-FRICTION COMPONENTS LIMITED**  
**REGISTERED NUMBER:01275175**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	12	546,015	572,244
<b>CURRENT ASSETS</b>			
Stocks	14	2,337,206	2,383,215
Debtors: amounts falling due within one year	15	4,045,442	3,638,631
Cash at bank and in hand	16	67,801	514,681
		<u>6,450,449</u>	<u>6,536,527</u>
Creditors: amounts falling due within one year	17	(4,997,862)	(5,749,847)
<b>NET CURRENT ASSETS</b>		<u>1,452,587</u>	<u>786,680</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,998,602</u>	<u>1,358,924</u>
Creditors: amounts falling due after more than one year	18	-	(200,000)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred tax	20	(52,279)	(47,628)
Other provisions	21	(33,924)	(44,059)
		<u>(86,203)</u>	<u>(91,687)</u>
<b>NET ASSETS</b>		<u>1,912,399</u>	<u>1,067,237</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	500,000	12,000
Profit and loss account	23	1,412,399	1,055,237
		<u>1,912,399</u>	<u>1,067,237</u>

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

  
**A M Bianchi**  
 Director

Date:

15 May 2018

The notes on pages 12 to 26 form part of these financial statements.

**ANTI-FRICTION COMPONENTS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	12,000	1,055,237	1,067,237
Profit for the year	-	357,162	357,162
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>357,162</b>	<b>357,162</b>
<b>CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b>			
Shares issued during the year	488,000	-	488,000
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	<b>488,000</b>	<b>-</b>	<b>488,000</b>
<b>AT 31 DECEMBER 2017</b>	<b>500,000</b>	<b>1,412,399</b>	<b>1,912,399</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016	12,000	1,285,694	1,297,694
Loss for the year	-	(230,457)	(230,457)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>(230,457)</b>	<b>(230,457)</b>
<b>AT 31 DECEMBER 2016</b>	<b>12,000</b>	<b>1,055,237</b>	<b>1,067,237</b>

The notes on pages 12 to 26 form part of these financial statements.

# ANTI-FRICTION COMPONENTS LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) for the financial year	357,162	(230,457)
<b>ADJUSTMENTS FOR:</b>		
Depreciation of tangible assets	116,137	99,607
Loss on disposal of tangible assets	5,769	-
Decrease/(increase) in stocks	46,009	(272,205)
Interest charge	144,866	138,523
Taxation charge	83,818	(43,119)
(Increase) in debtors	(466,491)	(134,727)
Increase in creditors	38,168	238,093
(Decrease)/increase in amounts owed to groups	(221,798)	-
(Decrease) in provisions	(10,135)	(2,768)
Corporation tax (paid)	(4)	(73,775)
Interest paid	(20,738)	(10,265)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>72,763</b>	<b>(291,093)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(95,677)	(124,331)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(95,677)</b>	<b>(124,331)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of ordinary shares	488,000	-
Repayment of finance leases	(267)	(5,084)
Movements on invoice discounting	(684,032)	490,028
New loans from group companies	-	200,000
Interest paid	(124,128)	(128,258)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(320,427)</b>	<b>556,686</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(343,341)</b>	<b>141,262</b>
Cash and cash equivalents at beginning of year	158,540	17,278
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>(184,801)</b>	<b>158,540</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	67,801	514,681
Bank overdrafts	(252,602)	(356,141)
	<b>(184,801)</b>	<b>158,540</b>

## ANTI-FRICTION COMPONENTS LIMITED

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

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#### 1. GENERAL INFORMATION

Anti-friction Components Limited is a company registered in England and Wales under the Companies Act. The address of the registered office is given in the company information page and the nature of the company's operations and its principal activity is the distribution of bearings, fluid power products and power transmission components.

#### 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 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenues are recognised at the point the risks and rewards of ownership have passed to the customer. This point will vary according to the terms of the sale but will usually be when the goods are received by the customer.

##### 2.3 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Leasehold improvements	-	10% straight line
Plant and machinery	-	30% straight line
Computer and IT equipment	-	20% straight line

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.

## **ANTI-FRICTION COMPONENTS LIMITED**

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

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#### **2. ACCOUNTING POLICIES (continued)**

##### **2.4 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.

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.

##### **2.5 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Movements in the debt factoring liability are presented in the Statement of cash flows as financing activities, rather than as part of cash and cash equivalents, based on the terms of the related agreement and the way the facility is used.



## ANTI-FRICTION COMPONENTS LIMITED

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

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## 2. ACCOUNTING POLICIES (continued)

### 2.6 FINANCIAL INSTRUMENTS

The company only enters into basic financial instrument 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 from group undertakings.

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 the 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.

### 2.7 FOREIGN CURRENCY TRANSLATION

Functional and presentational currency

The company's functional and presentational currency is British Pounds sterling (GBP).

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

## **ANTI-FRICTION COMPONENTS LIMITED**

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

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## **2. ACCOUNTING POLICIES (continued)**

### **2.8 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.

### **2.9 LEASED ASSETS: THE COMPANY AS LESSEE**

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of their estimated useful lives and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

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

### **2.10 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.

### **2.11 INTEREST INCOME**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

### **2.12 PROVISIONS FOR LIABILITIES**

Provisions are made where an event has taken place that gives the company 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 Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 Statement of financial position.

## **ANTI-FRICTION COMPONENTS LIMITED**

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

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#### **2. ACCOUNTING POLICIES (continued)**

##### **2.13 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.

##### **2.14 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.

## ANTI-FRICTION COMPONENTS LIMITED

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

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

In preparing these financial statements, the directors have made the following judgments:

Determine whether leases entered into by the company either as a lessor or lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors, such as their product life cycles and maintenance programmes. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Trade debtors are reviewed for impairment loss on an annual basis and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer by customer basis.

Provisions have been estimated for dilapidation costs. These provisions represent the best estimate of the liability at the time of the Statement of financial position date, the actual liability being dependent on future events such as economic environment and marketplace demand. Expectations will be revised each period until the actual liability arises, with any difference accounted for in the period in which the revision is made.

The company reviews the net realisable value of its stocks on a regular basis to provide assurance that recorded stocks are stated at the lower of cost and net realisable value. Management use historical sales data to estimate the impact of obsolete stock and then provides for the value of its stock to a minimum net realisable value that is determined using historical evidence. Where net realisable value is lower than cost the company makes a provision for the impairment loss. The estimate of the provision is based on such factors as the age of the stock item, the usage of the item in previous years, and any current or forthcoming customer orders for that stock line.

#### 4. TURNOVER

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	14,907,649	13,312,877
Rest of Europe	239,731	175,097
Rest of the world	123,523	112,830
	<u>15,270,903</u>	<u>13,600,804</u>

#### 5. OTHER OPERATING INCOME

	2017 £	2016 £
Other operating income	<u>32,484</u>	<u>85,038</u>

# ANTI-FRICTION COMPONENTS LIMITED

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

### 6. OPERATING PROFIT/(LOSS)

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

	2017 £	2016 £
Depreciation of tangible fixed assets	116,137	99,607
Operating lease rentals - other operating leases	1,926	15,480
Operating lease rentals - property leases	270,836	250,876
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	22,096	21,800
Exchange differences	(3,124)	23,224
Defined contribution pension cost	27,766	34,057
	<u>27,766</u>	<u>34,057</u>

The fees payable to the auditor comprise fees payable to the current auditor of £20,004 and to the ex-auditor of £2,092.

### 7. EMPLOYEES

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

	2017 £	2016 £
Wages and salaries	2,681,635	2,786,633
Social security costs	247,386	277,302
Cost of defined contribution scheme	27,766	34,057
	<u>2,956,787</u>	<u>3,097,992</u>

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

	2017 No.	2016 No.
Distribution	84	92
Administration	6	6
	<u>90</u>	<u>98</u>

**ANTI-FRICTION COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**8. DIRECTORS' REMUNERATION**

	2017 £	2016 £
Directors' emoluments	97,600	167,500
Company contributions to defined contribution pension schemes	-	1,440
	<u>97,600</u>	<u>168,940</u>

During the year retirement benefits were accruing to no directors (2016: 1) in respect of defined contribution pension schemes.

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

	2017 £	2016 £
Bank interest payable	15,032	10,255
Loans from group undertakings	5,706	6,010
Finance leases and hire purchase contracts	9,231	16,514
Debt factoring charges	114,897	105,744
	<u>144,866</u>	<u>138,523</u>

**10. TAXATION**

	2017 £	2016 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	84,492	-
Adjustments in respect of previous periods	(5,325)	(42,830)
<b>TOTAL CURRENT TAX</b>	<u>79,167</u>	<u>(42,830)</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	3,935	(4,543)
Changes to tax rates	-	(3,068)
Other adjustments	716	7,322
<b>TOTAL DEFERRED TAX</b>	<u>4,651</u>	<u>(289)</u>
<b>TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<u>83,818</u>	<u>(43,119)</u>

# ANTI-FRICTION COMPONENTS LIMITED

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

### 10. TAXATION (CONTINUED)

#### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	<u>440,980</u>	<u>(273,576)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016:20%)	84,874	(54,715)
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	2,243	9,086
Capital allowances for year in excess of depreciation	5,901	6,132
Utilisation of tax losses	(4,277)	34,154
Adjustments to tax charge in respect of prior periods	(5,325)	(35,508)
Deferred tax provided at a different rate and other differences leading to an increase (decrease) in the tax charge	402	(2,268)
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u><b>83,818</b></u>	<u><b>(43,119)</b></u>

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

At 31 December 2017 the Company had unutilised tax losses of £360,000 (2016: £382,000).

### 11. EXCEPTIONAL ITEMS

During the year ended 31 December 2016, costs of £135,465 were incurred in relation to the restructuring of the company's cost base.

	2017 £	2016 £
Restructuring costs	<u>-</u>	<u>135,465</u>

# ANTI-FRICTION COMPONENTS LIMITED

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

### 12. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Plant and machinery £	Computer and IT equipment £	Total £
<b>Cost</b>				
At 1 January 2017	666,782	41,313	222,317	930,412
Additions	1,590	43,982	50,105	95,677
Disposals	(11,440)	-	(850)	(12,290)
At 31 December 2017	<u>656,932</u>	<u>85,295</u>	<u>271,572</u>	<u>1,013,799</u>
<b>DEPRECIATION</b>				
At 1 January 2017	201,113	24,455	132,600	358,168
Charge for the year on owned assets	67,403	13,512	35,222	116,137
Disposals	(5,989)	-	(532)	(6,521)
At 31 December 2017	<u>262,527</u>	<u>37,967</u>	<u>167,290</u>	<u>467,784</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>394,405</u>	<u>47,328</u>	<u>104,282</u>	<u>546,015</u>
At 31 December 2016	<u>465,669</u>	<u>16,858</u>	<u>89,717</u>	<u>572,244</u>

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

	2017 £	2016 £
Leasehold improvements	-	7,076

### 13. FIXED ASSET INVESTMENTS

Subsidiary undertakings:

The Company owns 100% of the issued share capital of AFC (Bristol) Properties Limited, a non-trading company registered in England and Wales. At the year end, the net assets of the subsidiary were £Nil (2016: £Nil). The investment is carried at £Nil value (2016: £Nil).



**ANTI-FRICTION COMPONENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**14. STOCKS**

	2017 £	2016 £
Finished goods and goods for resale	<u>2,337,206</u>	<u>2,383,215</u>

**15. DEBTORS**

	2017 £	2016 £
Trade debtors	3,956,538	3,429,689
Other debtors	-	71,800
Prepayments and accrued income	88,904	137,142
	<u>4,045,442</u>	<u>3,638,631</u>

**16. CASH AND CASH EQUIVALENTS**

	2017 £	2016 £
Cash at bank and in hand	67,801	514,681
Less: bank overdrafts	(252,602)	(356,141)
	<u>(184,801)</u>	<u>158,540</u>

# ANTI-FRICTION COMPONENTS LIMITED

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

### 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Bank overdrafts	252,602	356,141
Trade creditors	2,100,879	2,109,500
Amounts owed to group undertakings	400,000	421,798
Corporation tax	19,483	-
Other taxation and social security	315,142	274,116
Obligations under finance lease and hire purchase contracts	-	267
Proceeds of factored debts	1,568,122	2,252,154
Other creditors	2,740	638
Accruals and deferred income	338,894	335,233
	<u>4,997,862</u>	<u>5,749,847</u>

Obligations under finance leases and hire purchase contracts are secured over the assets to which they relate. The Proceeds of factored debts are secured by a fixed and floating charge over the company's assets.

### 18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Amounts owed to group undertakings	-	200,000
	<u>-</u>	<u>200,000</u>

### 19. FINANCIAL INSTRUMENTS

	2017 £	2016 £
<b>FINANCIAL ASSETS</b>		
Financial assets that are debt instruments measured at amortised cost	<u>4,024,339</u>	<u>3,956,489</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	<u>(4,660,941)</u>	<u>(5,949,847)</u>

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

Financial liabilities measured at amortised cost comprise creditors excluding taxation.

# ANTI-FRICTION COMPONENTS LIMITED

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

### 20. DEFERRED TAXATION

	2017 £	2016 £
At beginning of year	47,628	47,917
Charged to profit or loss	4,651	(289)
<b>AT END OF YEAR</b>	<b>52,279</b>	<b>47,628</b>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	52,590	47,736
Short term timing differences	(311)	(108)
	<b>52,279</b>	<b>47,628</b>

No deferred tax asset is recognised on tax losses carried forward due to the continuing uncertainty over the timing and extent of the reversal of this timing difference. The potential undiscounted asset is £61,160 (2016: £64,942).

### 21. PROVISIONS

	Lease provision £
At 1 January 2017	44,059
Charged to profit or loss	9,999
Utilised in year	(20,134)
<b>AT 31 DECEMBER 2017</b>	<b>33,924</b>

The lease provision above represents the estimated costs of the dilapidation of properties held under leases. The timing depends on the point at which the company vacates those properties. The nature of these costs is that the size of the liability remains uncertain until the required works (if any) are valued and agreed with the lessor at the end of the lease.

# ANTI-FRICTION COMPONENTS LIMITED

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

### 22. SHARE CAPITAL

	2017 £	2016 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
500,000 (2016:12,000) Ordinary shares of £1 each	<b>500,000</b>	<b>12,000</b>

During the year, the company issued 488,000 Ordinary shares of £1 each for an aggregate consideration of £488,000, satisfied by releasing loan balances owed by the company.

### 23. RESERVES

#### Profit and loss account

This reserve includes all current and prior period retained profits and losses.

### 24. 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 £27,766 (2016: £34,057). Contributions totalling £1,825 (2016: £638) were payable to the fund at the reporting date and are included in creditors.

### 25. COMMITMENTS UNDER OPERATING LEASES

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

	2017 £	2016 £
Not later than 1 year	<b>197,300</b>	188,971
Later than 1 year and not later than 5 years	<b>568,117</b>	686,407
Later than 5 years	<b>50,658</b>	132,875
	<b>816,075</b>	<b>1,008,253</b>

## ANTI-FRICTION COMPONENTS LIMITED

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

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#### 26. RELATED PARTY TRANSACTIONS

During the year the company made purchases of £189,376 (2016: £51,962) from Bianchi Industrial SpA. At the year end the balances owing to Bianchi Industrial SpA, a 60% shareholder, were £240,000 (2016: £361,989) within Amounts owed to group undertakings and £17,399 (2016: £9,797) within Trade creditors.

Also included in creditors within Amounts owed to group undertakings is a balance outstanding to Mondial SpA, a 40% shareholder, of £160,000 (2016: £259,809) and £712 (2016: £Nil) within Trade creditors. Purchases from Mondial SpA during the period were £4,915 (2016: £3,995).

Certain directors and employees of the above two shareholders are paid by the company for services provided as directors of this company. These amounts are included within the disclosures of the directors' remuneration (Note 8).

The loans from group undertakings, which are balances shown as Amounts owed to group undertakings, and which are repayable on demand, with the exception of the £120,000 loan with Bianchi Industrial SpA and the £80,000 loan with Mondial SpA which are repayable on 31 December 2018 and accrue interest at a variable rate reviewed and agreed periodically by lender and borrower. Amounts charged in the year are disclosed in Note 9.

Bank overdrafts of £252,602 are secured by HBC Gruppo Bianchi SpA.

#### 27. CONTROLLING PARTY

The company is a 60% subsidiary of Bianchi Industrial SpA, a company registered in Italy. The ultimate parent undertaking is HBC Gruppo Bianchi SpA, also registered in Italy. The ultimate controlling party is Alberto Bianchi.