

Registered number: 01803787

## **Acal BFi UK Limited**

### **Annual Report and Financial Statements**

31 March 2022



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# Acal BFi UK Limited

## Company information

### Directors

D Gray  
P Webster  
S Catley  
V Synnott  
I Greateorex (resigned on 3 March 2022)  
S Gibbins (resigned on 3 March 2022)  
M Pangels (resigned on 3 March 2022)

### Secretary

G Davidson-Shrine (resigned 3 March 2022)

### Registered office

3 The Business Centre  
Molly Millars Lane  
Wokingham  
Berkshire  
England  
RG41 2EY

### Bankers

HSBC Bank UK plc  
Danske Bank A/S  
FGI Worldwide LLC  
Westbrooke Alternative Asset Management

### Independent Auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### Registered number

01803787

### Country of incorporation

England & Wales

## Strategic report

The directors present their Strategic report for Acal BFi UK Limited ('the Company') for the year ended 31 March 2022.

### Principal activities and review of the business

The Company is a subsidiary of Acal BFi Group Limited. The Company is a specialist supplier of electronic, electrical and electromechanical products.

The Company's key financial and other performance indicators as used by management in reviewing the performance of the business for the year, are as follows:

	2022	2021
Revenue (£'000)	33,246	25,219
Gross margin	43.6%	29.4%
Operating profit (£'000)	2,718	664
Current assets as % of current liabilities	111%	297%
Net assets (£'000)	6,773	11,960
Average monthly number of employees	106	107
Creditor days	91	27
Net stock turnover	2.6	2.7

The Company's focus continues to be on higher margin technology segments reflected in the lower revenue and higher margin percentage. Operating profit as a % of sales has improved compared to the prior year, predominantly as a result of efficient cost control.

The revenue above includes £6,698,000 of transfer pricing income from other Acal BFi Group companies in relation to services provided from 30 November 2021 to 31 March 2022. Excluding this revenue for the year was £26,548,000 with GM% of 29.3%

### Principal risks and uncertainties

Competitive pressures in the market and uncertainty in the economy produce risks for both the Company and its customers and this could lead to further price pressure and the loss of customers. The Company manages exposure to these risks by constantly reviewing cost areas and ensuring rapid responses to any changes in market and customer needs.

The Company purchases from Europe, the USA and Asia and therefore has some exposure to currency risks, however this is minimised through trading and using forward contracts in those currencies through other Acal BFi Group companies.

### Financial risk management

The financial risk management policies and procedures are centred around price risk, credit risk, liquidity risk and cash flow risk. In the view of the directors, these policies are held to minimise the Company's overall risk exposure.

#### Price risk

The Company protects against price risk by matching customer orders and supplier orders. Price increases are therefore able to be passed on to the customer.

#### Credit risk

Customer credit risk is carefully managed using an external credit checking agency, internal monitoring of financial performance, and close communication with the customer. Credit limits are checked before accepting orders and are carefully monitored and controlled in line with the credit policy.

#### Liquidity risk

The Company has access to short term finance through Acal BFi Group resources if needed.

## Strategic report (continued)

### Cash flow risk

The Company carries out regular monitoring of cash against forecast and expected liquidity.

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position have been described in the Strategic report on page 2.

The directors are required to prepare the financial statements on the going concern basis of accounting, unless it is inappropriate to presume that the Company will continue in business. The Company is in a positive net assets position, as well as having positive cash flow both at the balance sheet date and date of signing the financial statements. Management has prepared cash flow forecasts through to December 2023 that show the Company will continue to generate positive cash flow over this period. These forecasts have been stress tested to include a severe but plausible downside scenario, even under these conditions the Company remains able to fund ongoing trading liquidity requirements from within existing cash resources for a period of at least 12 months from the date of signing the financial statements.

On 3rd March 2022 the transaction was completed to sell the Company as part of the overall sale of the Acal BFi Group across Europe from discoverIE Group to H2 Equity Partners. The completion of this sale as agreed on 9th November 2021 followed the satisfaction of certain regulatory approvals.

Following the acquisition by H2 Equity Partners, the Company and wider Acal BFi Group have adequate funding in place through a mixture of Equity investment, Mezzanine Debt financing and Asset based Lending to meet the cashflow requirements of the business as a going concern. The Company operates as part of the Acal BFi Group funding arrangement, under which the Acal BFi Group has a centrally managed Asset Based Lending facility with FGI Worldwide LLC, which the Company can drawdown funding for operational working capital requirements of the business. The Company also participates within a cross entity cash 'pooling' arrangement with HSBC. The Acal BFi Group facilities provide adequate funding and support to the Company for its operations through to December 2023.

The investment by H2 Equity Partners in Acal BFi Group will accelerate the development of the Acal BFi Group's customer led strategy in Europe and the UK with additional design engineering resources and the expansion of our Technology Centres in the high growth market sectors addressed by our customers and suppliers.

Following completion of the sale to H2 Equity Partners the immediate parent Company of the Company is Acal BFi Holdings Limited and the ultimate Group Parent Company is Acal BFi Group Limited, both companies incorporated in England and Wales and having an initial year end date of 31st March 2023.

### Section 172 of the Companies Act 2006

The Board of the Company takes seriously its duties to act in accordance with legal requirements and appropriate business and ethical standards. This includes fulfilling the duties described in Section 172 of the Companies Act 2006 (the "Act").

The information below describes how the Directors have had regard to the matters referred to in Section 172 of the Act in performing their duties and constitutes the Board's Section 172 Statement for the year ended 31 March 2022. This section is incorporated by reference into the Strategic Report.

The context in which the Company operates is relevant to how the Board meets its duties under Section 172. In particular, the Company operates within the Acal BFi Group of companies and, as such, its processes and procedures reflect the arrangements within, and the interests of, the wider Acal BFi Group, in addition to those of the Company specifically. This reflects the fact that the success of the Acal BFi Group and the Company are aligned.

## Strategic report (continued)

### Duty to promote the success of the company

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

In order to fulfil the above duties, the Board sets strategy and monitors performance against that strategy on an ongoing basis, both for the Company itself and also within the context of the performance of the wider Acal BFi Group. All decision-making is made by reference to the agreed long-term strategic aims of the Company, including in the context of the Acal BFi Group of companies as a whole. The Board does so both through receiving regular updates from others in the business as relevant, through monitoring day-to-day performance and through formal meetings and at other intervals as appropriate.

Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions for the long-term success of the Company and its various stakeholders. Where information is not readily available, the Board ensures that it has the means to receive or generate such information wherever relevant and necessary. This may include utilising the resources and information available to the wider Acal BFi Group.

The Board considers all relevant proposals (including long-term investments and operating and capital expenditure) within the context of the overall success of the Company for the benefit of its members as a whole over the long-term. Again, this takes into account the Company's and the Acal BFi Group's long-term strategic aims.

During the year, the Board set annual budgets as relevant and oversaw business performance against targets. All of its key decisions take performance against budget into account.

In terms of staff, the Board recognises that a motivated and skilled workforce is essential to its long-term success and the Acal BFi Group as a whole seeks to encourage an entrepreneurial and innovative culture, set within structures that provide fairness for all. The Company complies with all relevant labour laws.

Where the Company works with customers, suppliers and other third parties, it considers it of great importance to maintain appropriate relations at all times and conducts itself accordingly. The Board considers any charitable or other similar initiatives that may be relevant to the locations and markets within which it operates.

The Board seeks to encourage a corporate culture across the organization that promotes integrity and transparency and this is reinforced through internal audits and other mechanisms supplemented by the wider Acal BFi Group.

This report was approved by the board of directors and signed on its behalf by:



**Susan Catley**  
Director

**Date:**

11 November 2022

## Directors' report

The directors present their Annual Report on the affairs of the Company, together with the financial statements and independent auditors' report for the year ended 31 March 2022.

### Results and dividends

The profit for the financial year after taxation amounted to £2,118,000 (2021 - £492,000). The directors do not recommend a dividend (2021 - £nil).

### Disclosure of items within the Strategic report

The directors have included statements relating to the principal activities of the Company, review of the business, the principal risks and uncertainties facing the Company, financial risk management and going concern in the Strategic report.

### Future developments

The directors do not anticipate any change in the principal activity of the Company in the foreseeable future.

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

S Gibbins (resigned 3 Mar 2022)  
D Gray  
I Grotorex (resigned 3 Mar 2022)  
M Pangels (resigned 3 Mar 2022)  
P Webster  
S Catley  
V Synnott

### Post balance sheet events

There were no matters arising, between the balance sheet date and the date on which these financial statements were approved by the Board of Directors, requiring adjustment in accordance with IAS10, Events after the reporting period.

## **Directors' report (continued)**

### **Directors' indemnities**

The Articles of the Company contain an indemnity in favour of the Directors, which is a Qualifying Third Party Indemnity within the meaning of s.234 of the Companies Act 2006 and is in force at the time of the approval of this report and financial statements.

In addition, each Director of the Company has entered into a Deed of Indemnity with the Company, which operates only in excess of any right to indemnity that a Director may enjoy under any such other indemnity or contract of insurance.

The Company has also arranged appropriate insurance cover in respect of legal action against its Directors and officers.

### **Environment**

Compliance with relevant environmental legislation such as the WEEE Directive and Regulations on Hazardous Substances is reviewed regularly by the directors and actions taken to ensure that processes are in place to build compliance into the day to day operations of the Company.

### **Suppliers, customers and others**

The directors' regards to the needs of the Company's business relationships with suppliers, customers and others and its impact on the Company's operations and principal decision making during the year has been included within the Section 172 statement in the Strategic report on page 4.

## Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

### Directors' confirmations

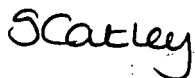
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Reappointment of independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the Board



**Susan Catley**

**Director**

**Date:** 11 November 2022

# Independent auditors' report to the members of Acal BFi UK Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Acal BFi UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2022; the profit and loss account, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and the WEEE directive and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results. Audit procedures performed by the engagement team included:

- Making enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Testing unusual or unexpected journal entries, particularly those impacting revenue; and
- Challenging assumptions and judgements made by management in significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

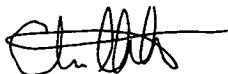
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Christopher Hibbs (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
14 November 2022

**Profit and loss account**

for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
<b>Revenue</b>	4	<b>33,246</b>	25,219
Cost of sales		<b>(18,760)</b>	(17,752)
Impairment of inventory		-	(46)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>14,486</b>	7,421
Distribution costs		<b>(4,370)</b>	(4,204)
Administrative expenses		<b>(7,398)</b>	(2,553)
		<hr/>	<hr/>
<b>Operating profit</b>	5	<b>2,718</b>	664
Underlying operating profit		<b>3,055</b>	664
Exceptional Items	6	<b>(337)</b>	-
		<hr/>	<hr/>
<b>Operating profit</b>		<b>2,718</b>	664
Finance cost	9	<b>(161)</b>	(57)
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>2,557</b>	607
Tax on profit	10	<b>(439)</b>	(115)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>2,118</b>	492
		<hr/> <hr/>	<hr/> <hr/>

The results of the prior year arise solely from continuing operations. Current year results include £6,698,000 of transfer pricing income from other Acal BFi Group companies.

There are no items of comprehensive income other than the profit attributable to the shareholders of the Company of £2,118,000 the year ended 31 March 2022 (2021 - £492,000).

Exceptional costs are items relating to the overall sale of Acal BFi across Europe from discoverIE Group to H2 Equity Partners as outlined in the Strategic report (page 3).

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

**Balance sheet**  
at 31 March 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	271	301
Right of use assets	13	1,768	2,272
Intangible assets	11	3,261	3,262
Deferred tax assets	10	129	109
<b>Total non-current assets</b>		<b>5,429</b>	<b>5,944</b>
<b>Current assets</b>			
Inventories	14	1,095	1,037
Other current assets	15	11,439	387
Trade receivables	15	4,099	4,081
Cash and cash equivalents	16	8,307	6,307
<b>Total current assets</b>		<b>24,940</b>	<b>11,812</b>
<b>Total assets</b>		<b>30,369</b>	<b>17,756</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	13	(1,097)	(1,652)
Other provisions	18	(173)	(173)
<b>Total non-current liabilities</b>		<b>(1,270)</b>	<b>(1,825)</b>
<b>Current liabilities</b>			
Trade and other payables	17	(7,087)	(2,384)
Current tax liabilities	10	(460)	(91)
Lease liabilities	13	(564)	(578)
Borrowings	19	(14,215)	(918)
<b>Total current liabilities</b>		<b>(22,326)</b>	<b>(3,971)</b>
<b>Total liabilities</b>		<b>(23,596)</b>	<b>(5,796)</b>
<b>Net assets</b>		<b>6,773</b>	<b>11,960</b>
<b>Capital and reserves</b>			
Called up share capital	20	10,370	10,370
Other reserves	21	-	7,305
Share scheme reserve	21	34	34
Profit and loss account		(3,631)	(5,749)
<b>Total Shareholders' funds</b>		<b>6,773</b>	<b>11,960</b>

The financial statements on pages 11 to 38 were approved by the Board of Directors on date and signed on its behalf by:



**Susan Catley**  
Director

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

**Statement of changes in equity**  
for the year ended 31 March 2022

	Called-up share capital £'000	Other reserves £'000	Share scheme reserve £'000	Profit and loss account £'000	Total share- holders' funds £'000
<b>At 1 April 2020</b>	<b>10,370</b>	<b>7,305</b>	<b>34</b>	<b>(6,241)</b>	<b>11,468</b>
Profit for the year	-	-	-	492	492
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>492</b>	<b>492</b>
<b>As at 31 March 2021</b>	<b>10,370</b>	<b>7,305</b>	<b>34</b>	<b>(5,749)</b>	<b>11,960</b>
Repayment of reserves	-	(7,305)	-	-	(7,305)
Profit for the year	-	-	-	2,118	2,118
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(7,305)</b>	<b>-</b>	<b>2,118</b>	<b>(5,187)</b>
<b>As at 31 March 2022</b>	<b>10,370</b>	<b>-</b>	<b>34</b>	<b>(3,631)</b>	<b>6,773</b>

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

# Acal BFi UK Limited

## Statement of cash flows for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
<b>Profit before income tax</b>		2,557	607
<b>Adjustments for:</b>			
Depreciation and amortisation		159	135
<b>Change in operating assets and liabilities</b>			
(Increase)/decrease in trade receivables		(22)	121
(Increase) in inventories		(58)	(67)
(Increase)/decrease in other operating assets		(311)	73
Increase/(decrease) in trade creditors		(492)	52
Increase in other operating liabilities		1,804	701
<b>Net cash inflow/(outflow) from operating activities</b>		<b>3,637</b>	<b>1,622</b>
Income taxes paid		(89)	(97)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>3,548</b>	<b>1,525</b>
<b>Cashflows from investing activities</b>			
Payments for property, plant, & equipment	12	(986)	(16)
Payments for intangible assets	11	(10,973)	-
Loans to related parties	23	(10,738)	-
Proceeds from sale of property, plant & equipment	12	857	-
Proceeds from sale of intangible assets	11	10,973	-
Loans from related parties	23	3,764	-
Repayment of loans to related parties	23	(7,104)	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(14,207)</b>	<b>(16)</b>
<b>Cashflows from financing activities</b>			
Principle elements of lease payments	13	(638)	(727)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(638)</b>	<b>(727)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11,297)</b>	<b>782</b>
Cash and cash equivalents at the beginning of the financial year		5,389	4,607
Cash and cash equivalents at end of year	16	(5,908)	5,389

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

## Notes to the financial statements

for the year ended 31 March 2022

### 1. Statutory information

The Company is a private company limited by shares which is incorporated in the United Kingdom and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Company information on page 1. The principal activities of the Company and the nature of its operations are set out in the Strategic report on page 2.

### 2. Accounting policies

#### *Basis of preparation*

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2022.

The financial statements have been prepared on a historical cost basis, except for contingent consideration receivable which is measured at fair value

The accounts are prepared under UK-adopted International Accounting Standards.

#### *Compliance with IFRS*

Acal BFi UK Ltd transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 April 2021. This change constitutes a change in accounting framework from FRS 101 to IFRS. However, there is no impact on recognition or measurement of assets and liabilities in the Statement of Financial position, Equity, Other Comprehensive Income or Cashflow statements. As there has been no impact on recognition or measurement, reconciliations of Equity and Other comprehensive income are not required. Where relevant, additional disclosures have been presented in the period reported as a result of the change in framework.

The financial statements of Acal BFi UK Ltd have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

#### *New and amended standards adopted by the company*

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2021.

IAS 16 Amendments prohibiting a company from deducting the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use.

IAS 37 Amendments regarding the costs to include when assessing whether a contract is onerous

IFRS 16 Amendments removing the illustration of payments from the lessor relating to leasehold improvements

#### *New accounting standards not yet adopted*

At the date of authorisation of these financial statements, the following standards were issued but not yet effective:

IAS 1 Amendments regarding the classification of liabilities

IAS 1 Amendments regarding entities required to disclose material rather than significant accounting policies

IAS 8 Amendments clarifying how companies should distinguish changes in accounting policies from changes in accounting estimates

IAS 12 Amendments requiring companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 2. Accounting policies (continued)

All of the above are effective for annual periods beginning on or after 1 January 2023. The Company is currently assessing the impact, if any, that the new or revised standards and interpretations will have on its financial statements

#### ***Going concern***

The Company's business activities, together with the factors likely to affect its future development, performance and position have been described in the Strategic report on page 2.

The directors are required to prepare the financial statements on the going concern basis of accounting, unless it is inappropriate to presume that the Company will continue in business. The Company is in a positive net assets position, as well as having positive cash flow both at the balance sheet date and date of signing the financial statements. Management has prepared cash flow forecasts through to December 2023 that show the Company will continue to generate positive cash flow over this period. These forecasts have been stress tested to include a severe but plausible downside scenario, even under these conditions the Company remains able to fund ongoing trading liquidity requirements from within existing cash resources for a period of at least 12 months from the date of signing the financial statements.

On 3rd March 2022 the transaction was completed to sell the Company as part of the overall sale of the Acal BFi Group across Europe from discoverIE Group to H2 Equity Partners. The completion of this sale as agreed on 9th November 2021 followed the satisfaction of certain regulatory approvals.

Following the acquisition by H2 Equity Partners, the Company and wider Acal BFi Group have adequate funding in place through a mixture of Equity investment, Mezzanine Debt financing and Asset based Lending to meet the cashflow requirements of the business as a going concern. The Company operates as part of the Acal BFi Group funding arrangement, under which the Acal BFi Group has a centrally managed Asset Based Lending facility with FGI Worldwide LLC, which the Company can drawdown funding for operational working capital requirements of the business. The Company also participates within a cross entity cash 'pooling' arrangement with HSBC. The Acal BFi Group facilities provide adequate funding and support to the Company for its operations through to December 2023.

The investment by H2 Equity Partners in Acal BFi Group will accelerate the development of the Acal BFi Group's customer led strategy in Europe and the UK with additional design engineering resources and the expansion of our Technology Centres in the high growth market sectors addressed by our customers and suppliers.

Following completion of the sale to H2 Equity Partners the immediate parent Company of the Company is Acal BFi Holdings Limited and the ultimate Group Parent Company is Acal BFi Group Limited, both companies incorporated in England and Wales and having an initial year end date of 31st March 2023.

#### ***Revenue recognition***

Revenue represents the fair value of the consideration received or receivable for goods, commission and other services provided to third parties, after deducting discounts, VAT and similar taxes levied overseas. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. In particular:

- a. Revenue from the sale of products is recognised upon transfer of control to the customer upon completion of specified performance obligations. This is generally when goods are dispatched to customers;
- b. Revenue from rendering of services, which primarily comprise maintenance and outsourcing contracts, is recognised over the life of the contract reflecting performance of the contractual obligations to the customer;
- c. Interest income is recognised as the interest accrues using the effective interest method;

Dividend income is recognised when the shareholders' right to receive the payment is established.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 2. Accounting policies (continued)

#### *Revenue recognition (continued)*

In addition to revenue on goods the Company recognised transfer pricing revenue from other Acal BFi Group entities relating to the period. Transfer pricing income is recognised over the period to which it applies to reflect the value of services provided and risks and rewards of ownership.

#### *Foreign currencies*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Balance sheet date and the resultant gains or losses on translation are included in the Profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### *Defined contribution pensions*

The Company makes payments to defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the Profit and loss account represents employer contributions payable in respect of the accounting year.

#### *Current and deferred taxation*

The taxation expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item 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.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Deferred taxation is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 2. Accounting policies (continued)

#### *Dividend payable*

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

#### *Goodwill*

The Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The recoverable amount has been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows and the selection of suitable discount rates. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

#### *Intangible assets*

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

Amortisation is provided on the following basis:

Implementation costs of IT systems and computer software	-	33% per annum straight line
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#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment as follows:

Leasehold improvements	-	Shorter of the term of the lease and the useful life of the asset straight line
Plant, machinery and equipment	-	10% to 33.3% per annum straight line

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels at which there are largely independent cash inflows (cash-generating units). Prior impairments are reviewed for possible reversal at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and recognised in the profit or loss.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 2. Accounting policies (continued)

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the cost of purchase on a first in first out basis. Cost includes, where appropriate, relevant overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables  
and goods for resale - purchase cost on a first-in, first-out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### *Financial Instruments*

##### *Derivative financial instruments*

The Company uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. It principally employs forward foreign exchange contracts to hedge the risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecast transactions. The Company does not enter into speculative derivative contracts. The Company does not apply hedge accounting and reports movement in derivatives at fair value through profit or loss.

##### *Financial assets*

The Company classifies its financial assets in the following measurement categories:

1. those to be measured at amortised cost; and
2. those to be measured subsequently at fair value through profit or loss (FVTPL).

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

##### *At initial recognition*

The Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 2. Accounting policies (continued)

#### *Financial Instruments (continued)*

##### *At subsequent measurement*

Financial assets mainly comprise of "trade receivables", "other current assets (excluding prepayments and VAT receivables)", and "cash and cash equivalents" in the Balance sheet. Cash and short-term deposits in the Balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Financial assets are subsequently measured based on the classification as follows:

**Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

**FVTPL:** Derivative financial instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost are classified as FVTPL. Movement in fair values and interest income that is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

The assigned receivables and FGI Worldwide LLC balances are measured at amortised cost.

##### *Impairment of financial assets*

Trade receivables are amounts due from customers for goods and services sold in the ordinary course of business. They are held with the object of collecting the contractual cashflows and are measured at amortised cost less expected credit losses. Trade receivables are assessed for impairment in accordance with IFRS9 'Financial instruments'. This requires consideration of both historical and forward-looking information when considering potential impairment of trade receivables. The Company has opted to use the simplified approach allowed under IFRS9, which requires the calculation of a lifetime expected credit loss. A provision matrix has been created to calculate an expected credit loss. This matrix is based upon historical observed default rates adjusted for forward looking information to create an adjusted default rate. This adjusted default rate is used to calculate an expected credit loss and is compared with the bad debts written off during the previous 36 months.

The following criteria are used to calculate the default rate:

#### **Historical**

- The level of sales written off during the prior 36-month period compared to the credit sales over the same 36-month period and the aging of receivables.

#### **Forward-Looking**

- Macro-economic factors such as growth rates or interest rates
- Other material factors such as customer concentration; changes in technologies; Brexit; Covid-19

In addition provision is made where there is objective evidence that a receivable balance may be impaired. Such evidence may include a significant change in the credit risk profile of a customer, debt that has become significantly overdue or contract default.

Trade receivables are written off where there is no reasonable expectation of recovery, such as bankruptcy proceedings.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 2. Accounting policies (continued)

#### *Financial Instruments (continued)*

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and the liability simultaneously.

##### *Financial liabilities*

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, as financial liabilities measured at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities mainly comprise 'bank overdrafts' and 'trade creditors and other short-term monetary liabilities' in the Balance sheet. These are initially recognised at fair value plus any directly attributable costs in the case of bank overdrafts and subsequently measured at amortised cost using the effective interest rate method.

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

##### *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

##### *Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

##### *Leases*

##### **Recognition**

At inception the Company assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specific asset, whether the Company obtains substantially all the economic benefits from the use of that asset and whether the Company has the right to the direct use of the asset. The Company recognises a right of use asset and a lease liability at the commencement of the lease.

##### **Short-term and low-value assets**

The Company has not made use of the exemptions for leases of low-value assets and short-term leases (leases shorter than 12 months) as such they are recognised at inception.

##### **Non-lease components**

Fees for components such as property taxes, maintenance, repairs and other services which are either variable or transfer benefits separate to the Company's right to use the asset are separated from lease components based upon their stand-alone selling price. These components are expensed in the profit and loss account as incurred.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 2. Accounting policies (continued)

#### *Leases (continued)*

##### **Measurement**

##### **Lease liabilities**

Lease liabilities are initially measured at the present value of future lease payments at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, if this rate is readily available. If not, then the Company's incremental borrowing rate is used. The incremental borrowing rate is a combination of government bond yields, used as a proxy for a risk-free rate, calculated over various periods linked to existing lease terms. This rate is adjusted for borrowing costs and risks specific to the Company. Lease payments include the following payments due within the non-cancellable term of the lease, as well as the term of any extension options where these are considered reasonably certain to be exercised:

- Fixed payments
- Variable payments that depend on an index or rate
- The exercise price of purchase or termination options if it is considered reasonably certain these will be exercised.

Subsequent to the commencement date, the lease liability is measured at the initial value, plus an interest charge determined using the incremental borrowing rate, less lease payments made. The interest expense is recorded in finance costs in the profit and loss account. The liability is remeasured when future lease payments change, when the exercise of extension or termination options becomes reasonably certain, or when the lease is modified.

##### **Right of use assets**

The right of use asset is initially measured at cost, being the value of the lease liability plus initial direct costs and the cost of any restoration obligations, less any incentives received.

The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The right of use asset is adjusted for any re-measurement of the lease liability. The right of use asset is subject to testing for impairment where there are any impairment indicators. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the asset's useful life.

##### **Capital Management**

The Companies' objective when managing capital is to safeguard its ability to continue as a going concern and to maintain robust capital ratios to comply with financial covenants and supporting the growth of the business. The primary mechanism used by the Company for managing capital is through a focus on simplified working capital and growing EBIT.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 3. Significant accounting estimates and judgements

#### *Estimation uncertainty*

Key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The most significant areas in which assumptions are made and estimates used are in determining:

#### *Goodwill impairment*

The Company tests annually whether goodwill is impaired in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows and the selection of suitable discount rate.

#### *Inventories*

The carrying amounts of inventories are stated with due allowance for excess, obsolete or slow-moving items. Management exercises judgement in assessing net realisable value. Provisions for slow-moving and obsolete inventory are based on management's assessment of the nature and condition of the inventory, including assumptions around future demand and market conditions.

#### *Trade Receivables*

The trade receivables impairment provision requires the use of estimation techniques by management. The estimate is made based on the assessments of the credit risk profile of a customer, the ageing profile of receivables, historical experience, and expectations about future market conditions.

#### *Leases*

Extension and termination options are included in certain property and equipment leases held by the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Company and not by the lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

#### *Impairment of fixed assets*

The Company reviews the depreciation methods, useful lives and residual values of property, plant and equipment at each Balance sheet date. The selection of these residual values and estimated lives requires the exercise of judgement. The directors are required to assess whether there is an indication of impairment to the carrying value of assets. In making that assessment, judgements are made in estimating value in use. The directors consider that the carrying value of assets are supportable by their value in use.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2022

**4. Revenue**

**Geographical information**

An analysis of revenue by geographical market is detailed below:

	2022 £'000	2021 £'000
United Kingdom	21,432	20,724
Europe	8,267	1,260
Rest of World	3,547	3,235
	<u>33,246</u>	<u>25,219</u>

**Segment information**

An analysis of revenue by segment is detailed below:

	2022 £'000	2021 £'000
Goods and services	26,548	25,219
Intercompany transfer pricing	6,698	-
	<u>33,246</u>	<u>25,219</u>

**5. Operating profit**

The profit for the year has been arrived at after charging:

	2022 £'000	2021 £'000
Auditors' remuneration – audit services	36	36
Amortisation of intangible assets (see note 11)	1	5
Depreciation of owned property, plant and equipment (see note 12)	159	130
Depreciation of right of use assets (see note 13)	601	695
Impairment of Inventory (included in 'cost of sales')	-	46
Foreign exchange losses/(gains)	12	19
Staff costs (see note 8)	5,860	5,161
	<u>5,860</u>	<u>5,161</u>

**6. Exceptional costs**

The company classifies as exceptional items certain charges that are not part of the indicative underlying trading result of the business, including one-off and non-recurring items, such that they have a material impact on the company's financial results. These are disclosed separately to provide further understanding of the financial performance of the company accordingly. During the period exceptional items of £337,000 (2021-£nil) were incurred by the company relating to consultancy support and advice on the sale of the Acal BFi Group across Europe from discoverIE Group to H2 Equity Partners.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2022

**7. Directors' remuneration**

	2022 £	2021 £
Aggregate remuneration in respect of qualifying services	552,287	286,771
Aggregate contribution to defined contribution schemes	14,016	5,476
	<u>566,303</u>	<u>292,247</u>

Retirement benefits are accruing to the following number of directors under:

	2022 No.	2021 No.
Defined contribution schemes	<u>2</u>	<u>1</u>

The aggregate of remuneration for the highest paid director was £201,985 (2021 - £188,100).

Pension contributions to the money purchase scheme of the highest paid director were £nil (2021 - £nil).

Three directors (2021 - 5) were paid no remuneration in their capacity as directors of the Company, an additional 2 directors were only paid for part of the year by the Company. The directors also provide services to other Acal BFi Group undertakings and received remuneration from a fellow Acal BFi Group undertaking, in respect of services to the Acal BFi Group. It is not possible to identify the proportion of the remuneration that relates to this Company.

**8. Staff costs**

	2022 £'000	2021 £'000
Wages and salaries	4,988	4,399
Social security costs	577	516
Other pension costs	295	246
	<u>5,860</u>	<u>5,161</u>

The average monthly number of employees employed by the Company during the year (including the directors), analysed by category was as follows:

	2022 No.	2021 No.
Sales and marketing	76	76
Distribution and Warehouse	11	11
Administration	19	18
Directors	<u>2</u>	<u>2</u>
	<u>108</u>	<u>107</u>

**Notes to the financial statements (continued)**

for the year ended 31 March 2022

**9. Finance cost**

	2022 £'000	2021 £'000
Interest payable on financing	102	-
Interest payable on intercompany loans	14	-
Interest payable on lease liabilities	45	57
	<u>161</u>	<u>57</u>

Interest payable on financing relates to the finance costs of the FGI Worldwide LLC facility.

**10. Tax on profit**

(a) Tax on profit

The tax charge is made up as follows:

	2022 £'000	2021 £'000
<b>Current tax:</b>		
UK corporation tax on profit for the year	462	91
Adjustments in respect of prior periods	(2)	(3)
Total current taxation	<u>460</u>	<u>88</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	14	11
Adjustments in respect of prior periods	(35)	16
Total deferred taxation	<u>(21)</u>	<u>27</u>
Taxation on profit (note 10(b))	<u>439</u>	<u>115</u>

(b) Factors affecting the current tax charge for the year

	2022 £'000	2021 £'000
Profit before taxation	<u>2,557</u>	<u>607</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	485	115
<b>Effects of:</b>		
Non-taxable credits	(11)	(13)
Adjustments to the current tax charge in respect of prior periods	(1)	(3)
Adjustments to the deferred tax charge in respect of prior periods	(34)	16
Total tax charge for the year (note 10(a))	<u>439</u>	<u>115</u>

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 10. Tax on profit (continued)

(c) Deferred tax

Deferred tax assets are recognised only to the extent the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is recognised at 19% (2021 – 19%). The deferred tax assets comprise the following:

	<b>Decelerated capital allowances £'000</b>	<b>Other timing differences £'000</b>	<b>Total £'000</b>
At 1 April 2020	127	9	136
Debit to the profit and loss account (note 10(a))	(19)	(8)	(27)
	<hr/>	<hr/>	<hr/>
At 31 March 2021	108	1	109
Debit to the profit and loss account (note 10(a))	11	9	20
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2022</b>	<b>119</b>	<b>10</b>	<b>129</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(d) Factors affecting future tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

**Notes to the financial statements (continued)**

for the year ended 31 March 2022

**11. Intangible assets**

	<b>Computer software £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2021	189	6,447	6,636
Additions	-	10,973	10,973
Disposals	-	(10,973)	(10,973)
	<hr/>	<hr/>	<hr/>
At 31 March 2022	189	6,447	6,636
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
At 1 April 2021	188	3,186	3,374
Charge for the year	1	-	1
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2022</b>	<b>189</b>	<b>3,186</b>	<b>3,375</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>-</b>	<b>3,261</b>	<b>3,261</b>
	<hr/>	<hr/>	<hr/>
At 31 March 2021	1	3,261	3,262
	<hr/>	<hr/>	<hr/>

Goodwill relates to the acquisition of the trade and assets of Gothic Crellon Limited and Acal Electronic Services Limited. During the year the Company recognised goodwill of £10,973,000 relating to the sale of Acal BFi Group from discoverIE Management Services Ltd and derecognised upon sale to Acal BFi Holdings Limited.

The recoverable amount of goodwill is based on value in use calculations and management's view. The key assumptions in these calculations relate to future revenue and margins. Cash flow forecasts for the 5 year period from the reporting date are based on 2021 forecast and management projections thereon. An average annual revenue growth rate of 2% (2021 - 2%) has been used. Annual cash flow growth rate beyond the five-year period was assumed at 2% (2021 - 2%) in line with the average long-term growth rate for the market.

The discount rate reflects the current market assessment and was estimated based on the average percentage of a weighted average cost of capital for the industry and then further adjusted to reflect the management's assessment of any risk specific to the Company. The pre-tax discount rate applied was 13% (2021 - 13%).

**Notes to the financial statements (continued)**  
for the year ended 31 March 2022

**12. Property, plant and equipment**

	Leasehold improvement £'000	Plant, machinery and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2021	636	320	956
Additions	36	950	986
Disposals	-	(985)	(985)
<b>At 31 March 2022</b>	<b>672</b>	<b>285</b>	<b>957</b>
<b>Accumulated depreciation</b>			
At 1 April 2021	469	186	655
Charge for the year	63	96	159
Disposals	-	(128)	(128)
<b>At 31 March 2022</b>	<b>532</b>	<b>154</b>	<b>686</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>140</b>	<b>131</b>	<b>271</b>
At 31 March 2021	167	134	301

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 13. Leases

#### 13.1 Leasing arrangements

The Company leases manufacturing and warehousing facilities, offices and various items of plant, machinery, equipment and vehicles.

Manufacturing and warehouse facilities generally have lease terms between 1 and 10 years. Lease contracts generally include extension and termination options and variable lease payments, which are discussed further above in 'Significant accounting judgements and estimates' in note 3.

#### 13.2 Carrying value of right of use assets

Set out below are the carrying amounts of right of use assets recognised and movements during the year:

	Land and Buildings £'000	Plant and machinery £'000	Total £'000
At 1 April 2020	2,310	235	2,545
Additions / modifications	331	91	422
Depreciation charge	(534)	(161)	(695)
At 31 March 2021	2,107	165	2,272
Additions / modifications	-	97	97
Depreciation charge	(485)	(116)	(601)
<b>At 31 March 2022</b>	<b>1,622</b>	<b>146</b>	<b>1,768</b>

#### 13.3 Carrying value of lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Land and Buildings £'000	Plant and machinery £'000	Total £'000
At 1 April 2020	(2,181)	(225)	(2,406)
Additions / modifications	(330)	(92)	(422)
Interest for the year	(53)	(4)	(57)
Lease payments	564	163	727
At 31 March 2021	(2,000)	(158)	(2,158)
Additions / modifications	-	(97)	(97)
Interest for the year	(41)	(3)	(44)
Lease payments	522	116	638
<b>At 31 March 2022</b>	<b>(1,519)</b>	<b>(142)</b>	<b>(1,661)</b>
		<b>2022</b>	<b>2021</b>
		<b>£'000</b>	<b>£'000</b>
Current liabilities		(564)	(578)
Non-current liabilities		(1,097)	(1,580)
		<b>(1,661)</b>	<b>(2,158)</b>

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 13. Leases (continued)

#### 13.4 Amounts recognised in the profit and loss account

	2022 £'000	2021 £'000
Depreciation of right of use assets	(601)	(695)
Interest expense (included in finance cost – see note 9)	(45)	(57)
	<u>(646)</u>	<u>(752)</u>

#### 13.5 Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. For a description of judgements and estimates associated with extension and termination options, see note 3.

Variable lease payments based upon an index or rate are accounted for once rental amounts are changed.

### 14. Inventories

	2022 £'000	2021 £'000
Finished goods and goods for resale	<u>1,095</u>	<u>1,037</u>

The replacement cost of stock is not materially different from historic cost. Included within stock is a provision of £1,947,000 (2021 - £1,901,000).

Inventories recognised as an expense during the year ended 31 March 2022 amounted to £18,666,000 (2021: £17,477,000). These were included in 'cost of sales'.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 15. Trade receivables and other current assets

	2022 £'000	2021 £'000
<b>Due within one year</b>		
Trade debtors	4,099	4,078
Amounts owed by group undertakings	10,884	205
Prepayments	555	185
	<u>15,538</u>	<u>4,468</u>

Amounts owed by Acal BFi group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included in trade debtors are receivables which have been assigned to FGI Worldwide LLC under the ABL facility. The receivables have not been de-recognised as the risks and rewards of ownership remain with the Company. These balances are restricted and cannot be used for security on any other financing arrangements. The carrying value of receivables is the full value.

### 16. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Reconciliation to cashflow statement

	2022 £'000	2021 £'000
Cash and cash equivalents	8,307	6,307
Overdrafts	(10,515)	(918)
Asset Based Lending Facility	(3,700)	-
	<u>(5,908)</u>	<u>5,389</u>

### 17. Trade and other payables

	2022 £'000	2021 £'000
Trade creditors	702	210
Amounts owed to group undertakings	4,494	476
Other taxes and social security cost	475	723
Accruals	1,416	975
	<u>7,087</u>	<u>2,384</u>

Amounts owed to Acal BFi group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 18. Other Provisions

	2022 £'000	2021 £'000
Dilapidations provision	<u>173</u>	<u>173</u>
<i>Dilapidations provision</i>		

The provision for dilapidation costs is an estimate for the restatement of the premises held under lease and has been included in the right of use asset. The value of the provision is reviewed at each year end to ensure it is still reasonable. The leases expire in February 2024 and March 2027.

### 19. Borrowings

	2022 £'000	2021 £'000
Overdraft	10,515	918
Asset Based Lending Facility	<u>3,700</u>	-
	<u>14,215</u>	<u>918</u>

Asset Based Lending Facility is secured against inventory. Amounts are assigned to FGI Worldwide LLC under the Acal BFi Group arrangements detailed in the strategic report (page 3) and note 2 are included.

### 20. Called up share capital

	2022 No.	2022 £'000	2021 No.	2021 £'000
Authorised, called up and fully paid: Ordinary shares of £1 each	<u>10,369,967</u>	<u>10,370</u>	<u>10,369,967</u>	<u>10,370</u>

### 21. Reserves

The following describes the nature and purpose of each reserve within equity:

<b>Called up share capital</b>	Nominal value of shares issued.
<b>Other reserves</b>	Capital contributions from other group undertakings
<b>Share scheme reserve</b>	The share scheme reserve arose due to share options granted to certain employees of the Company by the Company's parent undertakings, discoverIE Group plc.

## **Notes to the financial statements (continued)**

for the year ended 31 March 2022

### **22. Retirement benefit**

#### ***Defined contribution schemes***

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge amounted to £295,000 (2021 - £246,000).

### **23. Guarantees and financial commitments**

The Company has a Duty deferment guarantee of (2021 - £60,000) with HM Revenue & Customs, which has been provided by HSBC.

The Company is a member of the Acal BFi UK Limited VAT Group which also includes Acal BFi Central Procurement UK Limited (fellow Group undertaking) and is jointly and severally liable for amounts owed by any member of that VAT Group in respect of unpaid VAT.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2022

**24. Related party transactions**

Transactions with related parties are as follows:-

**Purchases of goods and services**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Acal BFi Central Procurement UK Ltd	14,040	13,433
Acal BFi Germany GMBH	2,239	1,917

**Distributor Fees**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
discoverIE Management Services Ltd	1,295	1,963
Acal BFi Nordics	817	-
Acal BFi Germany GMBH	1,407	-
Acal BFi Netherlands	523	-
Acal BFi Belgium	133	-
Acal BFi France	84	-
Acal BFi Italy	419	-

**Transfer of assets**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
discoverIE Management Services Ltd – purchase of assets	11,773	-
Acal BFi Holdings Ltd – sale of assets	11,659	-

**Year End Balances**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loan Balances</b>		
Acal BFi Holdings Ltd	10,693	-
Acal BFi Nordics	45	-
discoverIE Management Services Ltd	-	7,104
Acal BFi Netherlands	(3,552)	-
Acal BFi Belgium	(211)	-
<b>Trade Balances</b>		
Acal Central Procurement UK Ltd	(539)	(450)
Acal BFi Nordics	(30)	-
Acal BFi France	(8)	-
Acal BFi Germany	65	(71)
Acal BFi Netherlands	81	-
Acal BFi Belgium	(30)	-
Acal BFi Italy	(124)	-

Related Party Transactions are carried out at an arms length basis when such terms can be substantiated. Where such terms cannot be substantiated management takes professional advice to make a best estimate of arms length terms. Intercompany trading balances are settled on standard trading terms with non-trading balances settled on demand. All intercompany amounts are unsecured and settled in cash or equivalent. There are no provisions for related party doubtful debts (2021: no provisions) and no expense in the income statement (2021: no expense). There are no key management personnel apart from directors whose compensation is already mentioned above in directors remuneration (note 7)

## Notes to the financial statements (continued)

for the year ended 31 March 2022

### 25. Financial Risk Management

#### Foreign currency risk

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Currency Units, was as follows:

	2022			2021		
	USD '000	EUR '000	JPY '000	USD '000	EUR '000	JPY '000
Trade receivables	1,144	390	30,719	1,399	317	20,462
Trade payables	(164)	(41)	(3,413)	(153)	(53)	(3,423)
Cash and cash equivalents	(867)	(2,641)	(1,790)	(783)	(4)	(15,134)
Intercompany loans	-	813	-	-	-	-

The Company operates internationally and is exposed to foreign exchange risk, primarily the Euro, US dollar and Japanese yen. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is the US dollar. The risk is measured through a forecast of highly probable US dollar expenditures. The risk is hedged with the objective of minimising the volatility of the UK currency cost of highly probable forecast inventory purchases.

Foreign exchange exposures are hedged by use of forward exchange rate contracts.

Value of foreign currency forwards – cash flow hedges at the balance sheet date are:-

	2022 £'000	2021 £'000
USD	500	350

#### Credit risk

	2022 £'000	2021 £'000
Opening loss allowance 1 April	48	17
Receivables written off during the year as uncollectable	(30)	(4)
Dividend on previously written off debts	-	8
P&L charge against expected losses	1	27
Closing loss allowance at 31 March	19	48

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 72 months before 31 March 2021 and 31 March 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2022

**25. Financial Risk Management (continued)**

**Credit risk (continued)**

New customers are credit checked as part of the onboarding process, using a combination of information from an external credit agent and internal risk assessment process. Existing customers are credit reviewed following triggering events such as external credit agency notifications and changes in ordering patterns or values.

Values of overdue receivables over 120 days as at 31 March 21 and 31 March 22 were less than £1,000.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Acal BFi Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**Price risk**

The Company protects against price risk by matching customer orders and supplier orders. Price increases are generally therefore able to be passed on to the customer.

**Liquidity risk**

The Company is managed as part of the wider Acal BFi Group from a liquidity perspective. It is funded through an Asset Backed Lending facility. Management has prepared cash flow forecasts through to December 2023 that show the Company will continue to generate positive cash flow over this period.

**26. Ultimate parent company and controlling party**

The ultimate parent undertaking and controlling party is Acal BFi Group Limited, a company incorporated in the United Kingdom. The immediate parent is Acal BFi Holdings Limited, a company also incorporated in the United Kingdom.

The parent undertaking of the smallest and largest Group that prepares Group financial statements and of which the Company is a member is Acal BFi Group Limited which will be available on Companies House when filed.

**27. Events after the reporting period**

There were no other arising, between the balance sheet date and the date on which these financial statements were approved by the Board of Directors, requiring adjustment in accordance with IAS 10, Events after the reporting period.