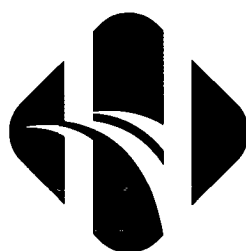


Registration number: 06867435

Blachford UK Limited

Annual Report and Financial Statements
for the Year Ended 31 October 2020



Hawsons

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Blachford UK Limited

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Blachford UK Limited

Company Information

Directors	L Bawden J Blachford J M Lippitt D McCoy
Registered office	Park Road Holmewood Industrial Park Chesterfield Derbyshire S42 5UY
Auditors	Hawsons Chartered Accountants Statutory Auditor Pegasus House 463a Glossop Road Sheffield South Yorkshire S10 2QD
Solicitors	Gateley Plc One Eleven Edmund Street Birmingham B3 2HJ
Bankers	HSBC Plc PO Box 33 Queen Square Wolverhampton WV1 1TE

Blachford UK Limited

Strategic Report for the Year Ended 31 October 2020

The directors present their strategic report for the year ended 31 October 2020.

Fair review of the business

Sales from operations of £9.0M for the financial year 2020 saw a reduction from 2019 (£11.5M) as a direct result of the delay to a Brexit agreement in October 2019 (customers increased safety stocks in FY2019) and the resulting impact of COVID-19.

In mid-March 2020 most of the Company's European OEM customers closed their manufacturing plants due to COVID-19 national lockdowns. The UK OEMs followed suit a week later and on 25th March 2020 Blachford UK closed its factory for six weeks placing all employees on Furlough leave.

In order to ensure that the Company could meet all of its continuing operational costs during the closure, Parent Company support was provided in the form of a preference share issue. A £651k cash injection combined with a £428k debt to equity swap (Intercompany borrowings), saw the Company's balance sheet strengthen by £1,079k in May. No additional bank borrowings were taken during this time.

For the remaining six months of the financial year the Company operated in accordance with all Government COVID-19 guidelines regarding social distancing, increased PPE & working from home where possible.

OEM customers returned throughout May and June with increased levels of demand, looking to recover lost production, which delivered an additional £1m product sales in H2 vs H1. Changes to the way the factory operated under the COVID-19 guidelines, and an increased reliance on Agency Labour to support higher levels of absenteeism amongst the workforce, reduced operational efficiency and increased manufacturing costs.

Despite an in-year net loss of £454k, the Company has had sufficient levels of working capital to meet the increased operational costs and FY21 Q1 has seen the Company return to profitability, despite COVID-19 restrictions remaining.

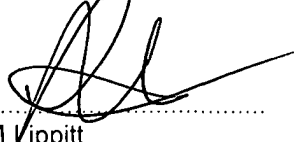
Sales in early FY2021 remain high, with the Agricultural & Construction markets seeing strong demand globally. With the Company's balance sheet much strengthened as a result of the Parent Company support, Blachford UK is now well placed to deliver increased sales volume in 2021 and much improved levels of profit for further investment in operational efficiencies and research and development. The Company continues to focus on research and development as it looks to deliver to market many new materials and products, which the Board are confident will lead to further long term growth and stability.

Principal risks and uncertainties

The company is exposed to a moderate level of liquidity and cash flow risk. The Company's principal financial instruments comprise bank borrowings, asset loans, hire purchase agreements, invoice discounting and trade creditors. Since the acquisition by 3702626 Canada Inc, liquidity and cash flow risk has been mitigated via Parent Company support.

Management continually monitor the key risks facing the Company together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

Approved by the Board on 04/03/21 and signed on its behalf by:


.....
J M Lippitt
Director

Blachford UK Limited

Directors' Report for the Year Ended 31 October 2020

The directors present their report and the audited financial statements for the year ended 31 October 2020.

Directors of the company

The directors who held office during the year were as follows:

L Bawden

J Blachford

J M Lippitt

D McCoy

Principal activity

The principal activity of the company is the design and manufacture of bespoke acoustic solutions for the agricultural, construction, commercial and materials handling vehicle markets. There have not been any significant changes in the company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's principal activity in the forthcoming year.

Results and dividends

The results for the period are shown in the Statement of Comprehensive Income within the financial statements.

The directors do not recommend the payment of a final dividend.

Directors' liabilities

The company has made qualifying third party indemnity provisions for the benefits of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to the auditors

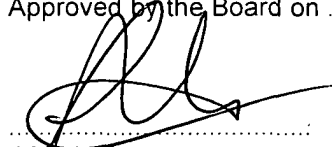
Each director of the company who held office at the date of the approval of this Annual Report as set out above, confirms that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors 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 auditors

The auditors Hawsons Chartered Accountants are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 04/03/21 and signed on its behalf by:


J M Lippitt
Director

Blachford UK Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Blachford UK Limited

Independent Auditor's Report to the Members of

Blachford UK Limited

Opinion

We have audited the financial statements of Blachford UK Limited (the 'company') for the year ended 31 October 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the notes to the financial statements, 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 October 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditor's 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 UK, including the FRC'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, it is difficult to evaluate all of the potential implications of the current COVID-19 outbreak on the company's trade, employees, customers, suppliers and the wider economy.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Blachford UK Limited

Independent Auditor's Report to the Members of

Blachford UK Limited (continued)

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters 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 Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's 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 auditor's 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Blachford UK Limited

Independent Auditor's Report to the Members of


Blachford UK Limited (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.


.....

Simon Bladen (Senior Statutory Auditor)

For and on behalf of Hawsons Chartered Accountants, Statutory Auditor

Pegasus House
463a Glossop Road
Sheffield
South Yorkshire
S10 2QD

Date: 12 March 2021

Blachford UK Limited

Statement of Comprehensive Income

for the Year Ended 31 October 2020

	Note	2020 £	2019 £
Turnover	2	9,031,788	11,547,958
Cost of sales		<u>(6,910,449)</u>	<u>(8,326,454)</u>
Gross profit		2,121,339	3,221,504
Administrative expenses		(2,848,520)	(3,100,912)
Other operating income	3	<u>305,537</u>	<u>-</u>
Operating (loss)/profit	4	(421,644)	120,592
Interest payable and similar charges	7	<u>(85,482)</u>	<u>(103,069)</u>
(Loss)/profit before tax		(507,126)	17,523
Taxation	8	<u>52,977</u>	<u>28,985</u>
(Loss)/profit for the financial year		<u>(454,149)</u>	<u>46,508</u>
Total comprehensive income for the year		<u><u>(454,149)</u></u>	<u><u>46,508</u></u>

The above results were derived from continuing operations.

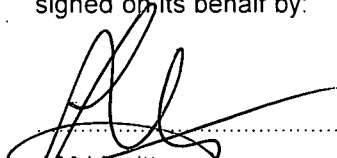
Blachford UK Limited

(Registration number: 06867435)

Balance Sheet as at 31 October 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	9	61,873	84,373
Tangible assets	10	2,489,511	2,632,338
Investments	11	-	-
		<u>2,551,384</u>	<u>2,716,711</u>
Current assets			
Stocks	12	1,331,193	871,674
Debtors	13	1,875,071	1,784,611
Cash at bank and in hand		1,325	1,017
		<u>3,207,589</u>	<u>2,657,302</u>
Creditors: Amounts falling due within one year	14	<u>(3,661,589)</u>	<u>(3,517,790)</u>
Net current liabilities		<u>(454,000)</u>	<u>(860,488)</u>
Total assets less current liabilities		2,097,384	1,856,223
Creditors: Amounts falling due after more than one year	14	<u>(1,274,147)</u>	<u>(1,657,837)</u>
Net assets		<u>823,237</u>	<u>198,386</u>
Capital and reserves			
Called up share capital	16	2,049,000	970,000
Revaluation reserve		25,357	50,786
Profit and loss account		<u>(1,251,120)</u>	<u>(822,400)</u>
Total equity		<u>823,237</u>	<u>198,386</u>

These financial statements were approved and authorised for issue by the Board on 04/03/21 and signed on its behalf by:


M Lippitt
Director

Blachford UK Limited

Statement of Changes in Equity

for the Year Ended 31 October 2020

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 November 2019	970,000	50,786	(822,400)	198,386
Loss for the year	-	-	(454,149)	(454,149)
Total comprehensive income	-	-	(454,149)	(454,149)
Other share capital movements	1,079,000	-	-	1,079,000
Transfers	-	(25,429)	25,429	-
At 31 October 2020	<u>2,049,000</u>	<u>25,357</u>	<u>(1,251,120)</u>	<u>823,237</u>

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 November 2018	970,000	76,215	(894,337)	151,878
Profit for the year	-	-	46,508	46,508
Total comprehensive income	-	-	46,508	46,508
Transfers	-	(25,429)	25,429	-
At 31 October 2019	<u>970,000</u>	<u>50,786</u>	<u>(822,400)</u>	<u>198,386</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

Blachford UK Limited
Statement of Cash Flows
for the Year Ended 31 October 2020

	2020 £	2019 £
Cash flows from operating activities		
(Loss)/profit for the year	(454,149)	46,508
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	231,387	231,845
Finance costs	85,482	103,069
Income tax expense	(52,977)	(28,985)
	(190,257)	352,437
Working capital adjustments		
(Increase)/decrease in stocks	(459,519)	91,696
Increase in debtors	(98,468)	(383,807)
Increase in creditors	144,010	254,500
Cash generated from operations	(604,234)	314,826
Income taxes received	60,985	-
Net cash flow from operating activities	(543,249)	314,826
Cash flows from investing activities		
Acquisitions of tangible assets	(67,834)	(36,064)
Proceeds from sale of tangible assets	9,650	17,075
Net cash flows from investing activities	(58,184)	(18,989)
Cash flows from financing activities		
Interest paid	(127,209)	(84,422)
Repayment of bank borrowing	(94,637)	(188,241)
Payments to finance lease creditors	(5,751)	(24,995)
Proceeds from issuing preference shares, net of issue costs	651,179	-
Net cash flows from financing activities	423,582	(297,658)
Net decrease in cash and cash equivalents	(177,851)	(1,821)
Cash and cash equivalents at 1 November	(179,507)	(177,686)
Cash and cash equivalents at 31 October	(357,358)	(179,507)

The notes on pages 13 to 25 form an integral part of these financial statements.

Blachford UK Limited

Statement of Cash Flows

for the Year Ended 31 October 2020 (continued)

Analysis of changes in net debt

	At 1 November 2019	Cash flows	Other non-cash movements	At 31 October 2020
	£	£	£	£
Cash and cash equivalents				
Cash at bank and in hand	1,017	308	-	1,325
Overdrafts	(180,524)	(178,159)	-	(358,683)
	<u>(179,507)</u>	<u>(177,851)</u>	<u>-</u>	<u>(357,358)</u>
Borrowings				
Debt due within one year	(259,890)	(54,754)	-	(314,644)
Debt due after one year	(1,657,837)	392,300	-	(1,265,537)
Finance leases	(4,390)	5,751	(14,896)	(13,535)
Other borrowings	(1,084,314)	(199,381)	-	(1,283,695)
	<u>(3,006,431)</u>	<u>143,916</u>	<u>(14,896)</u>	<u>(2,877,411)</u>
Total net funds/(debt)	<u>(3,185,938)</u>	<u>(33,935)</u>	<u>(14,896)</u>	<u>(3,234,769)</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020

1 Accounting policies

Statutory information

Blachford UK Limited is a private company, limited by shares, domiciled in England and Wales, company number 06867435. The registered office is at Park Road, Holmewood Industrial Park, Chesterfield, Derbyshire, S42 5UY.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. There were no material departures from that standard.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The presentation currency is United Kingdom pounds sterling, which is the functional currency of the company. The financial statements are those of an individual entity.

Going concern

After due consideration of all relevant factors, including the current COVID-19 pandemic, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Additionally, the company has obtained a letter of support from the parent company acknowledging continued financial support for a period of not less than 12 months from the date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Government grants

Grants that relate to the financing of projects to expand the operations of the business are amortised over the expected useful economic lives of the assets or projects concerned. Grants relating to the revenue expenditure are credited to income where receivable.

Exemption from preparing group accounts

The financial statements contain information about Blachford UK Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 405 of the Companies Act 2006 from producing consolidated financial statements as its subsidiary undertakings would not have a material effect on the true and fair view status of the financial statements.

The company is also exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, 3702626 Canada Inc., a company incorporated in Canada.

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

1 Accounting policies (continued)

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts. Income is recognised when goods have been delivered to the customer such that risks and rewards of ownership have transferred to them.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. Exchange differences on settled transactions are included in the profit and loss account.

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following estimates have significant risk of causing a material adjustment to amounts recognised in the financial statements: -

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of those assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The depreciation policy for each class of asset is noted in these accounting policies.

The company considers it necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating stock provisions, management consider the nature, condition and age of the stock, as well as applying the assumptions around anticipated saleability and future usage.

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the debt and historical experience.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with group policy.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

1 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	2% straight line
Plant and machinery	10% to 50% straight line
Motor vehicles	25% straight line
Fixtures and fittings	10% to 50% straight line

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis over its useful life, which the directors believe to be 5 years.

Intangible assets

Other intangible assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. All intangible fixed assets are considered to have a finite useful life.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Development costs	50% straight line
Intellectual property	10% straight line

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

1 Accounting policies (continued)

Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost of work in progress and finished goods includes all direct labour and an appropriate proportion of fixed and variable overheads.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Defined contribution pension obligation

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment and amounts not paid are included as liabilities in the balance sheet. The assets of the plan are held in independently administered funds separate from those of the company.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the statement of comprehensive income.

2 Revenue

The analysis of the company's turnover for the year by market is as follows:

	2020	2019
	£	£
United Kingdom	4,536,330	5,886,194
Rest of Europe	3,475,331	4,073,924
Rest of the World	1,020,127	1,587,840
	<u>9,031,788</u>	<u>11,547,958</u>

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

3 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020	2019
	£	£
Government grants - employment support grants	295,537	-
Government grants - business rates grant	10,000	-
	<u>305,537</u>	<u>-</u>

4 Operating (loss)/profit

Arrived at after charging/(crediting):

	2020	2019
	£	£
Depreciation expense	213,130	216,095
Amortisation expense	22,500	22,500
Profit on disposal of property, plant and equipment	(4,243)	(6,750)
Foreign exchange gains	(27,318)	(10,248)
Operating lease expense - plant and machinery	14,161	14,485
Auditor's remuneration	<u>10,500</u>	<u>10,200</u>

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	2,671,791	2,796,242
Social security costs	238,030	252,990
Pension costs, defined contribution scheme	107,440	105,688
	<u>3,017,261</u>	<u>3,154,920</u>

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

	2020	2019
	No.	No.
Directors	2	2
Administration and support	18	22
Production	74	69
Sales	9	7
	<u>103</u>	<u>100</u>

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£	£
Remuneration	193,935	211,944
Contributions paid to money purchase schemes	17,506	19,009
	<u>211,441</u>	<u>230,953</u>

Overseas directors are remunerated through other group undertakings for services provided to the company.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020	2019
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2020	2019
	£	£
Remuneration	106,272	121,182
Company contributions to money purchase pension schemes	9,603	10,886
	<u>115,875</u>	<u>132,068</u>

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	66,191	78,046
Interest on obligations under finance leases and hire purchase contracts	482	1,843
Interest expense on other finance liabilities	18,809	23,180
	<u>85,482</u>	<u>103,069</u>

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

8 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	(41,700)	(12,000)
UK corporation tax adjustment to prior periods	<u>(11,277)</u>	<u>(60,985)</u>
	<u>(52,977)</u>	<u>(72,985)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	-	(8,920)
Arising from changes in tax rates and laws	-	5,220
Arising from write-down or reversal of write-down of deferred tax asset	<u>-</u>	<u>47,700</u>
Total deferred taxation	<u>-</u>	<u>44,000</u>
	<u>(52,977)</u>	<u>(28,985)</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
(Loss)/profit before tax	<u>(507,126)</u>	<u>17,523</u>
Corporation tax at standard rate	(96,354)	3,329
Effect of expense not deductible in determining taxable profit	4,070	4,285
Deferred tax expense relating to changes in tax rates or laws	-	5,220
Effect of tax losses	65,368	71,204
Adjustment for prior periods	(11,277)	(60,985)
Effect of accelerated capital allowances	3,165	3,165
Adjustment for research and development	(30,875)	(49,400)
Other tax differences	<u>12,926</u>	<u>(5,803)</u>
Total tax credit	<u>(52,977)</u>	<u>(28,985)</u>

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

8 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £
2020	
Accelerated capital allowances	(87,185)
Short term timing differences	1,853
Tax losses	85,332
	<u>-</u>
	<u>-</u>
2019	
Accelerated capital allowances	(104,243)
Short term timing differences	1,741
Tax losses	102,502
	<u>-</u>
	<u>-</u>

Factors that may affect future tax charges

The company has estimated tax losses carried forward of £1,360,000 (2019 - £1,106,000).

9 Intangible assets

	Goodwill £	Development costs £	Intellectual property £	Total £
Cost or valuation				
At 1 November 2019	67,499	197,342	71,249	336,090
At 31 October 2020	67,499	197,342	71,249	336,090
Amortisation				
At 1 November 2019	36,250	197,342	18,125	251,717
Amortisation charge	15,000	-	7,500	22,500
At 31 October 2020	51,250	197,342	25,625	274,217
Carrying amount				
At 31 October 2020	16,249	-	45,624	61,873
At 31 October 2019	31,249	-	53,124	84,373

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

10 Tangible assets

	Freehold land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 November 2019	2,014,898	832,262	15,500	1,047,080	3,909,740
Additions	-	62,009	-	13,701	75,710
Disposals	-	(9,981)	-	-	(9,981)
At 31 October 2020	<u>2,014,898</u>	<u>884,290</u>	<u>15,500</u>	<u>1,060,781</u>	<u>3,975,469</u>
Depreciation					
At 1 November 2019	40,748	532,475	9,365	694,814	1,277,402
Charge for the year	10,866	89,140	3,875	109,249	213,130
Eliminated on disposal	-	(4,574)	-	-	(4,574)
At 31 October 2020	<u>51,614</u>	<u>617,041</u>	<u>13,240</u>	<u>804,063</u>	<u>1,485,958</u>
Carrying amount					
At 31 October 2020	<u>1,963,284</u>	<u>267,249</u>	<u>2,260</u>	<u>256,718</u>	<u>2,489,511</u>
At 31 October 2019	<u>1,974,150</u>	<u>299,787</u>	<u>6,135</u>	<u>352,266</u>	<u>2,632,338</u>

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

10 Tangible assets (continued)

Included within the net book value of land and buildings above is £1,963,284 (2019 - £1,974,150) in respect of freehold land and buildings. The carrying value includes £671,576 (2019 - £671,576) in respect of freehold land which is not depreciated.

The company has applied the transitional arrangements of Section 35 of FRS 102 and used the previous revaluation as deemed cost for certain plant and machinery. Such plant and machinery is being depreciated from the valuation date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £	2019 £
Motor vehicles	-	6,135
Furniture, fittings and equipment	7,220	-
	<u>7,220</u>	<u>6,135</u>

Depreciation charges in respect of assets held under finance lease and hire purchase contracts amounted to £656 (2019 - £3,875).

11 Investments in subsidiaries, joint ventures and associates

	2020 £	2019 £
Investments in subsidiaries	<u>-</u>	<u>-</u>
Subsidiaries		£
Cost or valuation		
At 1 November 2019 and 31 October 2020		2
Provision		
At 1 November 2019 and 31 October 2020		<u>2</u>
Carrying amount		
At 31 October 2019 and 31 October 2020		<u>-</u>

The company owns 100% of the ordinary issued share capital of H&H Acoustics Limited and TMAAT Limited. Both subsidiaries are dormant companies. The registered office address for both subsidiaries is Park Road, Holmewood Industrial Park, Chesterfield, Derbyshire, S42 5UY.

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

12 Stocks

	2020 £	2019 £
Raw materials and consumables	709,236	603,345
Work in progress	59,599	29,360
Finished goods and goods for resale	562,358	238,969
	<u>1,331,193</u>	<u>871,674</u>

Finished goods stock includes tooling amounting to £517,344 (2019 - £189,252).

Impairment of inventories

The amount of impairment loss recognised against profit or loss is £24,981 (2019 - £38,403).

13 Debtors

	2020 £	2019 £
Trade debtors	1,639,953	1,439,688
Other debtors	46,948	-
Prepayments	123,193	271,938
Income tax asset	64,977	72,985
	<u>1,875,071</u>	<u>1,784,611</u>

14 Creditors

	2020 £	2019 £
Due within one year		
Bank borrowings	195,567	185,467
Bank overdrafts	358,683	180,524
Finance lease liabilities	4,925	4,390
Trade creditors	1,503,651	1,720,031
Amounts due to group undertakings	83,077	51,923
Social security and other taxes	87,808	97,687
Other payables	1,283,695	1,084,314
Accruals	108,183	170,954
Director's loan account	36,000	22,500
	<u>3,661,589</u>	<u>3,517,790</u>

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

14 Creditors (continued)

	2020 £	2019 £
Due after one year		
Bank borrowings	941,536	1,046,273
Finance lease liabilities	8,610	-
Director's loan account	41,500	64,188
Amounts due to group undertakings	282,501	547,376
	<u>1,274,147</u>	<u>1,657,837</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company. An invoice discounting facility of £1,283,695 (2019 - £1,084,314), included within other payables due within one year, is secured on the book debts of the company.

Hire purchase and finance lease obligations are secured on the assets to which they relate.

Bank loans totalling £1,137,103 (2019 - £1,231,740) are secured by a fixed and floating charge over the assets of the company.

Included within bank loans due after one year is £597,689 (2019 - £650,297) repayable in instalments due after more than 5 years.

15 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £107,440 (2019 - £105,688).

Contributions totalling £20,908 (2019 - £20,095) were payable to the scheme at the end of the year and are included in creditors.

16 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	295,000	295,000	295,000	295,000
Preference shares of £1,000 each	1,754	1,754,000	675	675,000
	<u>296,754</u>	<u>2,049,000</u>	<u>295,675</u>	<u>970,000</u>

Blachford UK Limited

Notes to the Financial Statements for the Year Ended 31 October 2020 (continued)

16 Share capital (continued)

The ordinary shares have full voting, dividend and capital distribution rights, but do not confer any rights on redemption.

The preference shares do not confer voting or dividend rights but confer a right of redemption which is at the sole discretion of the directors.

New shares allotted

During the year 1,079 preference shares having an aggregate nominal value of £1,079,000 were allotted for an aggregate consideration of £1,079,000.

17 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	4,925	4,473
Later than one year and not later than five years	8,610	-
	<u>13,535</u>	<u>4,473</u>

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	5,438	14,096
Later than one year and not later than five years	408	5,847
	<u>5,846</u>	<u>19,943</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £14,161 (2019 - £14,485).

18 Related party transactions

The company has taken advantage of the exemptions available under FRS 102 not to disclose related party transactions with wholly owned subsidiaries within the group.

19 Parent and ultimate parent undertaking

The company's immediate and ultimate parent undertaking is 3702626 Canada Inc, a company incorporated in Canada.

The directors consider the ultimate controlling party to be J Blachford, a director of the company.