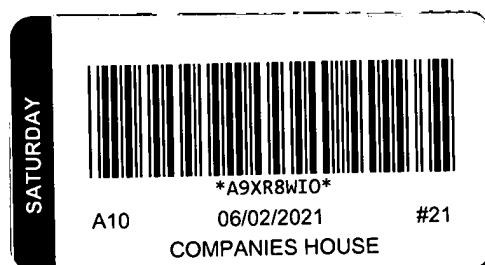


Registered number: 01803787

## **Acal BFi UK Limited**

### **Report and Financial Statements**

31 March 2020



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## **Company information**

### **Directors**

S M Gibbins  
D L Gray  
I R Greatorex  
M F E Pangels  
P G Webster  
S M Catley  
V Synnott

### **Secretary**

G Davidson-Shrine

### **Registered office**

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

### **Bankers**

Bank of Ireland  
Clydesdale Bank plc  
Citibank NA Inc  
Danske Bank A/S  
HSBC Bank UK plc  
KBC Bank NV

### **Independent Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### **Registered number**

01803787

### **Country of incorporation**

England & Wales

# Acal BFi UK Limited

## Strategic report

The directors present their Strategic report for Acal BFi UK Limited ('the Company') for the year ended 31 March 2020.

### Principal activity and review of the business

The Company is a subsidiary of discoverIE Group plc and operates as part of the Group's Custom Supply division. 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:

	2020	2019
Revenue (£'000)	24,517	26,567
Gross margin	28.1%	26.7%
Operating profit (£'000)	713	700
Current assets as % of current liabilities	300%	260%
Net assets (£'000)	11,468	10,915
Average monthly number of employees	113	126
Creditor days	31	86
Net stock turnover	2.9	1.9

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.

### 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 Group companies.

### Financial risk management

The discoverIE Group plc has a committed multi-currency revolving credit facility, which expires in June 2024. 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 generally 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.

## Strategic report (continued)

### Liquidity risk

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

### Cash flow risk

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

### Brexit

On 31 January 2020, the UK left the European Union (EU) and the transition period ended on 31 December 2020. Whilst the UK and the EU have agreed certain ongoing trading arrangements, the directors acknowledge that some continued uncertainty exists regarding the practical implementation. However, they do not foresee any significant risks impacting the company.

### 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 pages 2 to 4.

The directors continue to review and estimate the impact of the Covid-19 pandemic on the business. No adjustments to the key estimates and judgements that impact the Balance Sheet as at 31 March 2020 have been identified.

The ultimate parent undertaking, discoverIE Group plc, has agreed to provide financial support to the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the Balance sheet. The discoverIE Group plc has significant financial resources, sells a wide portfolio of different products across a diverse set of industries and geographies, has a global supply chain network and has well-established relationships with its customers. As disclosed in discoverIE Group plc's Interim financial statements for the six months ended 30 September 2020, a copy being available on the company's website, the Group's position remains robust and the Directors continue to adopt the going concern basis in preparing the financial statements.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

### 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 2020. 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 discoverIE Group plc group of companies (the "Group") and, as such, its processes and procedures reflect the arrangements within, and the interests of, the wider Group, in addition to those of the Company specifically. This reflects the fact that the success of the 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 Group. All decision-making is made by reference to the agreed long-term strategic aims of the Company, including in the context of the discoverIE 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 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 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 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 Group. The Board strongly believes in ethical behaviour and corporate responsibility and is mindful of the fact that discoverIE Group plc, its ultimate parent company, is required to conduct itself in accordance with the processes and procedures outlined in the UK Corporate Governance Code 2018.

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



**S M Gibbins**  
Director

Date: 29 January 2021

# **Acal BFi UK Limited**

## **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 2020.

### **Results and dividends**

The profit for the financial year after taxation amounted to £553,000 (2019 - £590,000). The directors do not recommend a dividend (2019 - £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 who served the Company during the year, and up to the date of signing this report, were as follows:

S Gibbins  
D Gray  
I Greateorex  
J Ward (resigned 1 April 2019)  
M Pangels  
P Webster  
S Catley  
V Synnott (appointed 1 April 2019)

### **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. The following important non-adjusting event should be noted:

### **COVID-19**

The impact of COVID-19 has been fully considered in the Going Concern assessment of the Company which is included in note 2 to the financial statements. This did not have any impact on the judgements made in the preparation of the financial statements and conclusions reached as at 31 March 2020.

### **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 Annual Report and Accounts.

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.

# **Acal BFi UK Limited**

## **Directors' Report (continued)**

### **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.

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Reappointment of 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



**S M Gibbins**

**Director**

**Date:** 29 January 2021



## **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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 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 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.

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

## **Report on the audit of the financial statements**

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### **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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2020; the Profit and loss account, 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.

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### **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.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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.

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### **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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

## ***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 2020 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.

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## **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 on page 7, 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.

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.

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## **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 received 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.



Richard Porter (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

29 January 2021

## Acal BFi UK Limited

### Profit and loss account

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Revenue</b>	4	<b>24,517</b>	26,567
Cost of sales		(17,624)	(19,479)
<b>Gross profit</b>		<b>6,893</b>	7,088
Distribution costs		(4,759)	(5,585)
Administrative expenses		(1,421)	(803)
<b>Operating profit</b>	5	<b>713</b>	700
Interest receivable and similar income	8	8	37
Interest payable and similar expenses	9	(65)	(17)
<b>Profit before taxation</b>		<b>656</b>	720
Taxation on profit	10	(103)	(130)
<b>Profit for the financial year</b>		<b>553</b>	590

The results of the current and prior year arise solely from continuing operations.

There are no items of comprehensive income other than the profit attributable to the shareholders of the Company of £553,000 in the year ended 31 March 2020 (2019 - £590,000).

The notes on pages 13 to 36 form part of these financial statements.

**Balance sheet**  
at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	11	3,267	3,283
Property, plant and equipment	12	415	467
Right-of-use assets	13	2,545	-
		<b>6,227</b>	<b>3,750</b>
<b>Non-current assets</b>			
Deferred tax assets	10	136	185
		<b>136</b>	<b>185</b>
<b>Current assets</b>			
Stocks	14	970	1,216
Debtors	15	4,662	4,536
Cash at bank and in hand		5,226	5,906
		<b>10,858</b>	<b>11,658</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(3,620)</b>	<b>(4,481)</b>
<b>Net current assets</b>		<b>7,238</b>	<b>7,177</b>
<b>Total assets less current liabilities</b>		<b>13,601</b>	<b>11,112</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(1,960)</b>	<b>(197)</b>
<b>Provisions for liabilities</b>			
Other provisions	18	(173)	-
<b>Net assets</b>		<b>11,468</b>	<b>10,915</b>
<b>Capital and reserves</b>			
Called up share capital	19	10,370	10,370
Other reserves	20	7,305	7,305
Share scheme reserve	20	34	34
Profit and loss account		(6,241)	(6,794)
<b>Total Shareholders' funds</b>		<b>11,468</b>	<b>10,915</b>

The financial statements on pages 10 to 36 were approved by the Board of Directors on 29 January 2021 and signed on its behalf by:



**S M Gibbins**  
Director

The notes on pages 13 to 36 form part of these financial statements.

# Acal BFi UK Limited

## Statement of changes in equity for the year ended 31 March 2020

	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 2018</b>	10,370	7,305	34	(7,384)	10,325
Profit for the year	-	-	-	590	590
<b>Total comprehensive income for the year</b>	-	-	-	590	590
<b>As at 31 March 2019</b>	<b>10,370</b>	<b>7,305</b>	<b>34</b>	<b>(6,794)</b>	<b>10,915</b>
Profit for the year	-	-	-	553	553
<b>Total comprehensive income for the year</b>	-	-	-	553	553
<b>As at 31 March 2020</b>	<b>10,370</b>	<b>7,305</b>	<b>34</b>	<b>(6,241)</b>	<b>11,468</b>

The notes on pages 13 to 36 form part of these financial statements.

## Notes to the financial statements

for the year ended 31 March 2020

### 1. Statutory information

The Company is a private company limited by shares which is incorporated in England and Wales 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 financial statements are prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments measured at fair value through profit or loss, and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), applicable accounting standards and the Companies Act 2006. The accounting policies have been applied consistently, other than where new policies have been adopted.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2020.

#### *Disclosure exemptions adopted*

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - (i). paragraph 79(a)(iv) of IAS 1;
  - (ii). paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - (iii). *paragraph 118(e) of IAS 38 Intangible Assets;*
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payments;
- The requirements of paragraph 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B(64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- The requirements of paragraph 33(c) of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations;

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

for the year ended 31 March 2020

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

#### ***Disclosure exemptions adopted (continued)***

- The requirements of paragraphs 130(f)(ii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- The requirements of paragraphs 6-33 of IFRS1 First time adoption of International Financial Standards; and
- The requirements of paragraphs 52, the second sentence of paragraph 89 of IFRS 16 Leases and the requirements of paragraph 58 of IFRS 16 Leases.

The Company's ultimate parent undertaking, discoverIE Group plc, includes the Company in its consolidated financial statements, and therefore where required equivalent disclosures are included in the financial statements of discoverIE Group plc. The consolidated financial statements of discoverIE Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH.

#### ***New standards, amendments and IFRIC interpretations***

IFRS 16 Leases (IFRS 16) and IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23) are new accounting standards that are effective for the year ended 31 March 2020.

Details of the impact these two standards have had are given in note 24.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 which have a material impact on the Company.

#### ***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 pages 2 to 4.

The directors continue to review and estimate the impact of the Covid-19 pandemic on the business. No adjustments to the key estimates and judgements that impact the Balance Sheet as at 31 March 2020 have been identified.

The Company has sufficient financial resources, sells into a wide range of industries and a stable customer base. In addition the ultimate parent undertaking, discoverIE Group plc, has agreed to provide financial support to the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the Balance sheet. The discoverIE Group plc has significant financial resources, sells a wide portfolio of different products across a diverse set of industries and geographies, has a global supply chain network and has well-established relationships with its customers. As disclosed in discoverIE Group plc's Interim financial statements for the six months ended 30 September 2020, a copy being available on the company's website, the Group's position remains robust and the Directors continue to adopt the going concern basis in preparing the financial statements.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.



## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 2. Accounting policies (continued)

#### *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.

#### *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.

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 2. Accounting policies (continued)

#### *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.

#### *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*

Prior to transition to FRS 101, goodwill acquired on acquisition of subsidiary undertakings and businesses was capitalised and written off on a straight-line basis over its useful economic life of 20 years. The UK Companies Act requires goodwill to be reduced by provisions for amortisation on a systematic basis over its useful economic life, however, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company no longer amortises 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.

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 2. Accounting policies (continued)

#### *Goodwill (continued)*

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 2020

### 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.
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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 2020

### 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.

##### *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**

#### *Financial Instruments (continued)*

- 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 2020

### 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*

##### *Policy applicable from 1 April 2019*

##### *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 (ROU) 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.

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

for the year ended 31 March 2020

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

#### ***Leases (continued)***

##### **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.

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

##### ***Policy prior to 1 April 2019***

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 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 (note 11).

#### *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 2020

### 4. Revenue

#### Geographical information

An analysis of revenue by geographical market is detailed below:

	2020 £'000	2019 £'000
United Kingdom	19,568	21,740
Europe	1,443	1,910
Rest of World	3,506	2,917
	<u>24,517</u>	<u>26,567</u>

### 5. Operating profit

The profit for the year has been arrived at after charging/(crediting):

	2020 £'000	2019 £'000
Auditors' remuneration – audit services	35	33
Amortisation of intangible assets (see note 11)	16	21
Depreciation of owned property, plant and equipment (see note 12)	125	131
Depreciation of right-of-use assets (see note 13)	641	-
Impairment of Inventory (included in 'cost of sales')	68	496
Foreign exchange (gains)/losses	(36)	1
Operating lease rentals – land and building	-	399
Operating lease rentals – other	-	221
Staff costs (see note 7)	5,427	5,853

Amortisation of the Company's intangible assets is recognised within Administrative expenses.

### 6. Directors' remuneration

	2020 £	2019 £
Aggregate remuneration in respect of qualifying services	247,874	270,991
Aggregate contribution to defined contribution schemes	5,669	16,515
	<u>253,543</u>	<u>287,506</u>

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

	2020 No.	2019 No.
Defined contribution schemes	1	3

The aggregate of remuneration for the highest paid director was £156,434 (2019 - £173,866).

Pension contributions to the money purchase scheme of the highest paid director was £nil (2019 - £10,098).

Five directors (2019 - five) were paid no remuneration in their capacity as directors of the Company. The directors also provide services to other group undertakings and received remuneration from a fellow group undertaking, in

**Notes to the financial statements (continued)**  
for the year ended 31 March 2020

**6. Directors' remuneration (continued)**

respect of services to the group. It is not possible to identify the proportion of the remuneration that relates to this Company.

**7. Staff costs**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Wages and salaries	4,622	5,016
Social security costs	548	583
Other pension costs	257	254
	<u>5,427</u>	<u>5,853</u>

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

	<b>2020</b> <b>No.</b>	<b>2019</b> <b>No.</b>
Sales and marketing	80	95
Distribution and Warehouse	12	9
Administration	19	20
Directors	2	2
	<u>113</u>	<u>126</u>

**8. Interest receivable and similar income**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Interest receivable on bank accounts	<u>8</u>	<u>37</u>

**Notes to the financial statements (continued)**  
for the year ended 31 March 2020

**9. Interest payable and similar expense**

	2020 £'000	2019 £'000
Interest payable on overdrafts	5	17
Interest payable on lease liabilities	60	-
	<u>65</u>	<u>17</u>

**10. Taxation on profit**

(a) Taxation on profit

The tax charge is made up as follows:

	2020 £'000	2019 £'000
<b>Current tax:</b>		
UK corporation tax on profit for the year	100	124
Adjustments in respect of prior periods	(46)	4
Total current taxation	<u>54</u>	<u>128</u>
<b>Deferred:</b>		
Origination and reversal of timing differences	3	6
Adjustments in respect of prior periods	46	(4)
Total deferred taxation	<u>49</u>	<u>2</u>
Taxation on profit (note 10(b))	<u>103</u>	<u>130</u>

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

for the year ended 31 March 2020

**10. Taxation on profit (continued)**

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

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Profit before taxation	<b>656</b>	<b>720</b>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	<b>125</b>	<b>137</b>
<i>Effects of:</i>		
(Non-taxable credits)/Non-deductible expenses	<b>(22)</b>	<b>(7)</b>
Adjustments to the current tax charge in respect of prior periods	<b>(46)</b>	<b>4</b>
Adjustments to the deferred tax charge in respect of prior periods	<b>46</b>	<b>(4)</b>
Total tax charge for the year (note 10(a))	<b>103</b>	<b>130</b>

(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% (2019 – 19%). The deferred tax assets/(liabilities) comprise the following:

	<b>Decelerated capital allowances £'000</b>	<b>Other timing differences £'000</b>	<b>Total £'000</b>
At 1 April 2018	162	25	187
(Debit)/Credit to the profit and loss account (note (10(a)))	(19)	17	(2)
At 31 March 2019	143	42	185
(Debit) to the profit and loss account (note (10(a)))	(16)	(33)	(49)
<b>At 31 March 2020</b>	<b>127</b>	<b>9</b>	<b>136</b>

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

for the year ended 31 March 2020

**10. Taxation on profit (continued)****(d) Factors affecting future tax charges**

Prior to 31 March 2020, the previously enacted reduction in the UK corporation tax rate to 17% had been reversed and the rate remains at 19% from 1 April 2020. Deferred taxes at the reporting date have been measured and reflected in these financial statements using the substantively enacted tax rate at the reporting date of 19%.

**11. Intangible assets**

	<b>Computer software £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2019 and 31 March 2020	189	6,447	6,636
<b>Amortisation and impairment</b>			
At 1 April 2019	167	3,186	3,353
Charge for the year	16	-	16
<b>At 31 March 2020</b>	<b>183</b>	<b>3,186</b>	<b>3,369</b>
<b>Net book value</b>			
At 31 March 2020	6	3,261	3,267
At 31 March 2019	22	3,261	3,283

Goodwill relates to the acquisition of the trade and assets of Gothic Crellon Limited and Acal Electronic Services Limited.

On transition to FRS 101, the Company has taken advantage of the requirements of paragraphs 6-33 of IFRS 1 to retain deemed cost as the brought forward net book value from previous GAAP.

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 2020 forecast and management projections thereon. An average annual revenue growth rate of 2% (2019 - 3%) has been used. Annual cash flow growth rate beyond the five-year period was assumed at 2% (2019 - 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% (2019 - 12%).

**Notes to the financial statements (continued)**  
for the year ended 31 March 2020

**12. Property, plant and equipment**

	Leasehold improvement £'000	Plant, machinery and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2019	747	426	1,173
Additions	18	55	73
Disposals	(73)	(29)	(102)
<b>At 31 March 2020</b>	<b>692</b>	<b>452</b>	<b>1,144</b>
<b>Accumulated depreciation</b>			
At 1 April 2019	484	222	706
Charge for the year	60	65	125
Disposals	(73)	(29)	(102)
<b>At 31 March 2020</b>	<b>471</b>	<b>258</b>	<b>729</b>
<b>Net book value</b>			
<b>At 31 March 2020</b>	<b>221</b>	<b>194</b>	<b>415</b>
At 31 March 2019	263	204	467

For the year ended 31 March 2020, assets arising from leases where the Company is a lessee have been accounted for under IFRS 16 and shown under right-of-use assets. See Note 24.

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 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 ("ROU") assets recognised and movements during the year:

	Land and Buildings	Plant and machinery	Total
	£'000	£'000	£'000
At 31 March 2019	-	-	-
Change in accounting policy	2,665	356	3,021
At 1 April 2019 (revised)	2,665	356	3,021
Additions / modifications	81	84	165
Depreciation charge	(436)	(205)	(641)
<b>At 31 March 2020</b>	<b>2,310</b>	<b>235</b>	<b>2,545</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	Plant and machinery	Total
	£'000	£'000	£'000
At 31 March 2019	-	-	-
Change in accounting policy	(2,510)	(356)	(2,866)
At 1 April 2019 (revised)	(2,510)	(356)	(2,866)
Additions / modifications	(63)	(85)	(148)
Interest for the year	(54)	(6)	(60)
Lease payments	446	222	668
<b>At 31 March 2020</b>	<b>(2,181)</b>	<b>(225)</b>	<b>(2,406)</b>

	31 March 2020 £'000	1 April 2019 £'000
Current liabilities	575	594
Non-current liabilities	1,831	2,272
	<b>2,406</b>	<b>2,866</b>

**Notes to the financial statements (continued)**  
for the year ended 31 March 2020

**13. Leases (continued)**

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

	2020 £'000
Depreciation of ROU assets	641
Interest expense (included in finance cost – see note 9)	60
	<u>701</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. Stocks**

	2020 £'000	2019 £'000
Finished goods and goods for resale	<u>970</u>	<u>1,216</u>

The replacement cost of stock is not materially different from historic cost. Included within stock is a provision of £1,854,091 (2019 - £1,738,654).

**15. Debtors**

	2020 £'000	2019 £'000
<b>Due within one year</b>		
Trade debtors	4,199	4,063
Amounts owed by group undertakings	207	210
Prepayments	256	263
	<u>4,662</u>	<u>4,536</u>

Amounts owed by 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 2020

**16. Creditors: amounts falling due within one year**

	2020 £'000	2019 £'000
Bank overdraft	619	793
Trade creditors	262	655
Amounts owed to group undertakings	350	1,370
Corporation tax	100	124
Other taxes and social security cost	830	721
Lease liabilities (see note 13)	575	-
Accruals	884	818
	<u>3,620</u>	<u>4,481</u>

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

**17. Creditors: amounts falling due after more than one year**

	2020 £'000	2019 £'000
Lease liabilities (see note 13)	1,831	-
Accruals	129	197
	<u>1,960</u>	<u>197</u>

**18. Other Provisions**

	2020 £'000	2019 £'000
Dilapidations provision	<u>173</u>	<u>-</u>

*Dilapidations provision*

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 2021, February 2024 and March 2027.

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 19. Called up share capital

	2020 No.	2020 £'000	2019 No.	2019 £'000
Authorised, called up and fully paid: Ordinary shares of £1 each	<u>10,369,697</u>	<u>10,370</u>	<u>10,369,967</u>	<u>10,370</u>

### 20. 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.

### 21. 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 £257,000 (2019 - £254,000).

### 22. Guarantees and financial commitments

The company has a Duty deferment guarantee of £60,000 (2019 - £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.

The Company is a guarantor to the Group's £180m Revolving Credit Facility which is provided by a syndicate of banks.

### 23. Ultimate parent company and controlling party

The ultimate parent undertaking and controlling party is discoverIE Group plc, a company incorporated in England and Wales. The immediate parent is Acal Electronics Holdings Limited, a company also incorporated in England and Wales.

The parent undertaking of the smallest and largest group that prepares group financial statements and of which the company is a member is discoverIE Group plc. Copies of the group financial statements of discoverIE Group plc can be obtained from 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey GU2 7AH.

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 24. Effects of changes in accounting policies

The Company adopted IFRS 16 and IFRIC 23 with a transition date of 1 April 2019. The Company has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 April 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations did not impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

#### IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant leasing activities acting as a lessor.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases.

On adoption of IFRS 16, the Company recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Right-of-use assets	Lease liabilities
Operating leases	Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.  All other: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.	Measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 April 2019. The Company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 2.33%.
Finance leases	Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).	

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 24. Effects of changes in accounting policies (continued)

#### 24.1 Impact on the balance sheet

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

		£'000
Right of use assets	Increase	3,021
Lease liabilities	Increase	(2,866)

There was no impact on retained earnings at 1 April 2019.

#### Lease liabilities

On adoption of IFRS 16 the Company recognised liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019.

The lease liabilities at 31 March 2020 and 1 April 2019 were as follows:

	31 March 2020	1 April 2019
	£'000	£'000
Current liabilities	575	594
Non-current liabilities	1,831	2,272
	<u>2,406</u>	<u>2,866</u>

Lease liabilities recorded at 1 April 2019 can be reconciled to operating lease commitments as at 31 March 2019 as follows:

	£'000
Operating lease commitments as at 31 March 2019	1,857
Add: Adjustments as a result of a different treatment of extension and termination options	1,217
Gross future lease cash flows	3,074
Effect of discounting	(208)
Lease liability recognised as at 1 April 2019	<u>2,866</u>

The Company has not made use of the exemptions for leases of low-value assets and short-term leases (leases shorter than 12 months).

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 24. Effects of changes in accounting policies (continued)

#### Right of use assets

The Company has not restated prior year comparators, with right of use assets being set equal to lease liabilities at the date of transition in line with the simplified approach under IFRS 16. Values have been adjusted for the cost of any restoration obligations and by the amount of prepaid or accrued lease payments relating to leases recognised in the statement of financial position as at 31 March 2019. These adjustments amounted to £9,000.

There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of application.

The recognised right of use assets relate to the following types of assets:

	31 March 2020	1 April 2019
	£'000	£'000
Land and buildings	2,310	2,665
Plant and equipment	235	356
	<u>2,545</u>	<u>3,021</u>

Properties are depreciated over the shorter of the lease term or useful life and plant and equipment over periods of two to five years.

#### 24.2 Impact on the profit and loss account

For the year ended 31 March 2020 operating profit was £53,000 higher as a result of applying IFRS 16. Profit before tax was £7,000 lower due to interest expenses being higher at the beginning of the lease term.

The impact on the profit and loss account for the year was:

	£'000
Lease expense	668
Depreciation	(615)
Operating profit	<u>53</u>
Interest	(60)
Profit before tax	<u>(7)</u>

#### 24.3 Impact on the statement of cash flows

The company has taken the exemption available under IAS 7 not to prepare a statement of cash flows.

#### 24.4 Judgements and estimates

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. 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

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

for the year ended 31 March 2020

### **24. Effects of changes in accounting policies (continued)**

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.

#### **24.5 Practical expedients applied**

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases were onerous
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

#### ***IFRIC 23 Uncertainty over Income Tax Treatments***

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Company to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Company to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 had no impact on corporate tax liabilities.

### **25. Events after the reporting period**

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. The following important non-adjusting event should be noted:

#### **COVID-19**

The impact of COVID-19 has been fully considered in the Going Concern assessment of the Company which is included in note 2 to the financial statements. This did not have any impact on the judgements made in the preparation of the financial statements and conclusions reached as at 31 March 2020.

#### **Brexit**

On 31 January 2020, the UK left the European Union (EU) and the transition period ended on 31 December 2020. Whilst the UK and the EU have agreed certain ongoing trading arrangements, the directors acknowledge that some continued uncertainty exists regarding the practical implementation. However, they do not foresee any significant risks impacting the company.