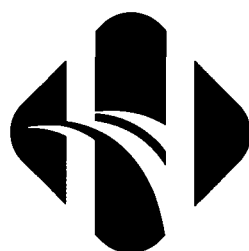


Registration number: 06867435

Blachford UK Ltd

Annual Report and Financial Statements

for the Year Ended 31 October 2022



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Blachford UK Ltd

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Blachford UK Ltd

Company Information

Directors	L Bawden J Blachford D McCoy P Thompson
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

Blachford UK Ltd

Strategic Report for the Year Ended 31 October 2022

The directors present their strategic report for the year ended 31 October 2022.

Fair review of the business

The Board are pleased to report sales from operations of £14.1M for the financial year 2022, a 10% increase from 2021 (£12.8M) and a net profit of £0.3M, in contrast to the £0.2M net loss in 2021.

In 2021, significant supply chain disruption, resulting from Brexit & the Covid-19 pandemic, impacted upon raw materials prices as well as component availability, affecting operational efficiencies, and ultimately contributed to the in-year loss. Despite the disruption to supply chains from Brexit & Covid-19 easing in 2022, and sales volumes remaining strong, Russia's invasion of Ukraine in Feb-22 has further impacted global commodity prices, as a result of rapidly rising energy costs.

As inflation rates rose to above 10% during 2022, further increases in raw material prices were seen as suppliers were faced with continuing increases in the cost of manufacturing. Significant increases have been seen across all commodities and these were passed on to Customers in the form of higher pricing throughout 2022. The business continues to assess the impact of rising commodity prices, increases in labour rates (driven by the cost of living crisis), energy costs and inflation, on its cost of manufacturing. A new Operations Director was appointed in Jan-22 with a focus on delivering improved operational performance in order to mitigate where possible the rising costs of manufacturing.

In Jul-22 the Company appointed its first EU-based Business Development Manager, responsible for targeting, developing and winning new customers in our chosen industrial vehicle market, primarily in France, Germany, Italy, Slovakia and across Scandinavia.

Sales levels in early FY2023 remain high, with the Agricultural & Construction markets reporting strong demand globally. OEMs continue to provide up to 12 months forecast order volumes, and the Company's forecast order book for FY2023 stands at £14m against a budget of £15m. The business continues to invest in sales and technical personnel in order to research and develop the right product solutions for our OEM Customers who are faced with enormous design challenges as power trains move to electric and similar. In the UK, we will focus some business development resource on other markets for acoustic and thermal materials, such as rail and power generation.


The Company is now further integrated into the Blachford Acoustics Group, working closely with its North American sister companies in areas of Sales and market development, R&D, and manufacturing process advancement. The Board remain confident this joint approach for supporting multinational and global Customers 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 & 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 08.03.23 and signed on its behalf by:


L Bawden
Director

Blachford UK Ltd

Directors' Report for the Year Ended 31 October 2022

The directors present their report and the audited financial statements for the year ended 31 October 2022.

Directors of the company

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

L Bawden

J Blachford

J M Lippitt (resigned 1 November 2021)

D McCoy

P Thompson (appointed 1 November 2021)

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 Income Statement 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 08.03.23 and signed on its behalf by:


L Bawden
Director

Blachford UK Ltd

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 Ltd

Independent Auditor's Report to the Members of

Blachford UK Ltd

Opinion

We have audited the financial statements of Blachford UK Ltd (the 'company') for the year ended 31 October 2022, which comprise the Income Statement, the Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor 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

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

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

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

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 contained within the annual report. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Blachford UK Ltd

Independent Auditor's Report to the Members of

Blachford UK Ltd (continued)

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 or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the 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 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Blachford UK Ltd

Independent Auditor's Report to the Members of

Blachford UK Ltd (continued)

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included FRS 102, Companies Act 2006 and Health and Safety regulations. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of Board meetings;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for. This description forms part of our auditor's report.

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: 9 March 2023

Blachford UK Ltd
Income Statement
for the Year Ended 31 October 2022

	Note	2022 £	2021 £
Turnover	2	14,085,287	12,780,120
Cost of sales		<u>(10,368,133)</u>	<u>(9,910,375)</u>
Gross profit		3,717,154	2,869,745
Administrative expenses		(3,277,214)	(3,168,496)
Other operating income	3	<u>-</u>	<u>45,706</u>
Operating profit/(loss)	4	439,940	(253,045)
Interest payable and similar expenses	7	<u>(112,154)</u>	<u>(78,483)</u>
Profit/(loss) before tax		327,786	(331,528)
Tax on profit/(loss)	8	<u>2,095</u>	<u>118,698</u>
Profit/(loss) for the financial year		<u><u>329,881</u></u>	<u><u>(212,830)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.


Blachford UK Ltd

(Registration number: 06867435)

Balance Sheet as at 31 October 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	9	30,624	39,373
Tangible assets	10	2,582,383	2,586,972
Investments	11	-	-
		<u>2,613,007</u>	<u>2,626,345</u>
Current assets			
Stocks	12	1,162,122	1,633,962
Debtors	13	1,929,914	1,998,880
Cash at bank and in hand		128,517	1,149
		<u>3,220,553</u>	<u>3,633,991</u>
Creditors: Amounts falling due within one year	14	<u>(2,966,426)</u>	<u>(4,376,482)</u>
Net current assets/(liabilities)		<u>254,127</u>	<u>(742,491)</u>
Total assets less current liabilities		<u>2,867,134</u>	<u>1,883,854</u>
Creditors: Amounts falling due after more than one year	14	<u>(1,926,846)</u>	<u>(1,273,447)</u>
Net assets		<u><u>940,288</u></u>	<u><u>610,407</u></u>
Capital and reserves			
Called up share capital	16	2,049,000	2,049,000
Revaluation reserve		-	-
Profit and loss account		<u>(1,108,712)</u>	<u>(1,438,593)</u>
Total equity		<u><u>940,288</u></u>	<u><u>610,407</u></u>

These financial statements were approved and authorised for issue by the Board on 08-03-2023 and signed on its behalf by:


L Bawden
Director


P Thompson
Director

Blachford UK Ltd

Statement of Changes in Equity

for the Year Ended 31 October 2022

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 November 2021	2,049,000	-	(1,438,593)	610,407
Total comprehensive income	-	-	329,881	329,881
At 31 October 2022	<u>2,049,000</u>	<u>-</u>	<u>(1,108,712)</u>	<u>940,288</u>

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 November 2020	2,049,000	25,357	(1,251,120)	823,237
Total comprehensive income	-	-	(212,830)	(212,830)
Transfers	-	(25,357)	25,357	-
At 31 October 2021	<u>2,049,000</u>	<u>-</u>	<u>(1,438,593)</u>	<u>610,407</u>

Blachford UK Ltd

Statement of Cash Flows

for the Year Ended 31 October 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit/(loss) for the year	329,881	(212,830)
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	229,384	240,983
Finance costs	112,154	78,483
Income tax expense	(2,095)	(118,698)
	<u>669,324</u>	<u>(12,062)</u>
Working capital adjustments		
Decrease/(increase) in stocks	471,840	(302,769)
Increase in debtors	(91,432)	(28,388)
(Decrease)/increase in creditors	<u>(921,519)</u>	<u>851,109</u>
Cash generated from operations	128,213	507,890
Income taxes received	<u>162,493</u>	<u>23,277</u>
Net cash flow from operating activities	<u>290,706</u>	<u>531,167</u>
Cash flows from investing activities		
Acquisitions of tangible assets	(185,031)	(237,689)
Cash flows from financing activities		
Interest paid	(115,674)	(62,846)
Proceeds from bank borrowing draw downs	1,010,000	-
Repayment of director's loans	(73,000)	-
Repayment of bank borrowing	(126,878)	(202,140)
(Repayment)/drawdown of other borrowings	(146,497)	(146,542)
Payments to finance lease creditors	<u>(40,839)</u>	<u>(8,862)</u>
Net cash flows from financing activities	<u>507,112</u>	<u>(420,390)</u>
Net increase/(decrease) in cash and cash equivalents	612,787	(126,912)
Cash and cash equivalents at 1 November	<u>(484,270)</u>	<u>(357,358)</u>
Cash and cash equivalents at 31 October	<u>128,517</u>	<u>(484,270)</u>

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

Blachford UK Ltd

Statement of Cash Flows

for the Year Ended 31 October 2022 (continued)

Analysis of changes in net debt

	At 1 November 2021	Cash flows	Other non-cash movements	At 31 October 2022
	£	£	£	£
Cash and cash equivalents				
Cash at bank and in hand	1,149	127,368	-	128,517
Overdrafts	(485,419)	485,419	-	-
	(484,270)	612,787	-	128,517
Borrowings				
Debt due within one year	(157,306)	157,306	(306,514)	(306,514)
Debt due after one year	(1,217,437)	(967,428)	294,636	(1,890,229)
Finance leases	(86,365)	40,839	(31,015)	(76,541)
Other borrowings	(1,137,153)	146,497	-	(990,656)
	(2,598,261)	(622,786)	(42,893)	(3,263,940)
Total net funds/(debt)	(3,082,531)	(9,999)	(42,893)	(3,135,423)

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022

1 Accounting policies

Statutory information

Blachford UK Ltd 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, 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 Ltd 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 Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (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 Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (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 Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (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:

	2022 £	2021 £
United Kingdom	6,656,943	5,808,132
Rest of Europe	4,905,418	4,942,004
Rest of the World	2,522,926	2,029,984
	<u>14,085,287</u>	<u>12,780,120</u>

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

3 Other operating income

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

	2022	2021
	£	£
Government grants - employment support grants	<u>-</u>	<u>45,706</u>

4 Operating profit/(loss)

Arrived at after charging/(crediting)

	2022	2021
	£	£
Operating lease expense - plant and machinery	7,776	5,438
Depreciation expense	220,635	218,483
Amortisation expense	8,749	22,500
Auditor's remuneration - the audit of the company's financial statements	11,450	10,800
Foreign exchange losses	<u>(20,331)</u>	<u>(18,322)</u>

5 Staff costs

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

	2022	2021
	£	£
Wages and salaries	3,191,351	2,896,426
Social security costs	306,999	253,817
Pension costs, defined contribution scheme	<u>104,945</u>	<u>109,672</u>
	<u>3,603,295</u>	<u>3,259,915</u>

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

	2022	2021
	No.	No.
Directors	2	2
Administration and support	24	18
Production	86	82
Sales	<u>4</u>	<u>7</u>
	<u>116</u>	<u>109</u>

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	232,450	218,866
Contributions paid to money purchase schemes	20,143	19,727
	<u>252,593</u>	<u>238,593</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:

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2022 £	2021 £
Remuneration	122,219	124,936
Company contributions to money purchase pension schemes	<u>10,630</u>	<u>11,297</u>

7 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and borrowings	97,653	63,596
Interest on obligations under finance leases and hire purchase contracts	1,758	202
Interest expense on other finance liabilities	<u>12,743</u>	<u>14,685</u>
	<u>112,154</u>	<u>78,483</u>

Interest expense on other finance liabilities includes £11,879 (2021 - £11,587) in respect of interest payable to group undertakings.

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

8 Taxation

Tax charged/(credited) in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax	-	(80,040)
UK corporation tax adjustment to prior periods	(2,095)	(38,658)
	<u>(2,095)</u>	<u>(118,698)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit/(loss) before tax	<u>327,786</u>	<u>(331,528)</u>
Corporation tax at standard rate	62,279	(62,990)
Expenses not deductible in determining taxable profit	979	2,408
Effect of tax losses	(54,720)	22,415
Adjustment for prior periods	(2,095)	(38,658)
Effect of accelerated capital allowances	(8,538)	(7,433)
Adjustment for research and development	-	(59,280)
Other tax differences	<u>-</u>	<u>24,840</u>
Total tax credit	<u>(2,095)</u>	<u>(118,698)</u>

Factors that may affect future tax charges

UK corporation tax is currently charged at a rate of 19%. The 2021 Finance Act included an announcement that corporation tax rates will rise to 25% from 1 April 2023.

Consequently, the current rate has been applied in the measurements of the corporation tax assets and liabilities as at 31 October 2022, whilst deferred tax has been provided at 25%, being the rate at which timing differences are expected to reverse.

The company has estimated tax losses carried forward of £1,236,000 (2021 - £1,498,000).

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

8 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £
2022	
Accelerated capital allowances	(156,307)
Short term timing differences	2,093
Tax losses	154,214
	<u>-</u>
	<u>-</u>
2021	
Accelerated capital allowances	(148,753)
Short term timing differences	2,357
Tax losses	146,396
	<u>-</u>
	<u>-</u>

9 Intangible assets

	Goodwill £	Development costs £	Intellectual property £	Total £
Cost or valuation				
At 1 November 2021	67,499	197,342	71,249	336,090
At 31 October 2022	67,499	197,342	71,249	336,090
Amortisation				
At 1 November 2021	66,250	197,342	33,125	296,717
Amortisation charge	1,249	-	7,500	8,749
At 31 October 2022	67,499	197,342	40,625	305,466
Carrying amount				
At 31 October 2022	-	-	30,624	30,624
At 31 October 2021	1,249	-	38,124	39,373

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

10 Tangible assets

	Freehold land and buildings £	Furniture, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 November 2021	2,014,898	993,989	1,267,026	15,500	4,291,413
Additions	-	119,194	96,852	-	216,046
At 31 October 2022	<u>2,014,898</u>	<u>1,113,183</u>	<u>1,363,878</u>	<u>15,500</u>	<u>4,507,459</u>
Depreciation					
At 1 November 2021	62,480	711,106	915,355	15,500	1,704,441
Charge for the year	10,866	107,628	102,141	-	220,635
At 31 October 2022	<u>73,346</u>	<u>818,734</u>	<u>1,017,496</u>	<u>15,500</u>	<u>1,925,076</u>
Carrying amount					
At 31 October 2022	<u>1,941,552</u>	<u>294,449</u>	<u>346,382</u>	<u>-</u>	<u>2,582,383</u>
At 31 October 2021	<u>1,952,418</u>	<u>282,883</u>	<u>351,671</u>	<u>-</u>	<u>2,586,972</u>

The carrying value of freehold land and buildings includes £671,576 (2021 - £671,576) in respect of freehold land which is not depreciated.

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

10 Tangible assets (continued)

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:

	2022 £	2021 £
Plant and machinery	116,966	95,197
Furniture, fittings and equipment	-	3,282
	<u>116,966</u>	<u>98,479</u>

Depreciation charges in respect of assets held under finance lease and hire purchase contracts amounted to £16,235 (2021 - £5,552).

11 Investments

	2022 £	2021 £
Investments in subsidiaries	<u>-</u>	<u>-</u>
Subsidiaries		£
Cost or valuation		
At 1 November 2021 and 31 October 2022		2
Provision		
At 1 November 2021 and 31 October 2022		<u>2</u>
Carrying amount		
At 31 October 2021 and 31 October 2022		<u>-</u>

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

12 Stocks

	2022 £	2021 £
Raw materials and consumables	988,130	1,022,809
Work in progress	51,567	65,429
Finished goods and goods for resale	<u>122,425</u>	<u>545,724</u>
	<u>1,162,122</u>	<u>1,633,962</u>

Finished goods stock includes tooling amounting to £24,541 (2021 - £321,996).

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

13 Debtors

	2022 £	2021 £
Trade debtors	1,535,028	1,401,555
Other debtors	6,746	91,467
Prepayments	388,140	345,460
Income tax asset	-	160,398
	<u>1,929,914</u>	<u>1,998,880</u>

14 Creditors

	2022 £	2021 £
Due within one year		
Bank borrowings	164,847	84,306
Bank overdrafts	-	485,419
HP and finance lease liabilities	39,924	30,355
Trade creditors	1,409,145	2,371,119
Amounts due to group undertakings	141,667	-
Social security and other taxes	94,049	81,997
Other payables	1,000,624	1,137,153
Accruals	116,170	113,133
Director's loan account	-	73,000
	<u>2,966,426</u>	<u>4,376,482</u>
Due after one year		
Bank borrowings	1,653,238	850,657
HP and finance lease liabilities	36,617	56,010
Amounts due to group undertakings	236,991	366,780
	<u>1,926,846</u>	<u>1,273,447</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company. An invoice discounting facility of £990,656 (2021 - £1,137,153), 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 £1,818,085 (2021 - £934,963) are secured by a fixed and floating charge over the assets of the company.

Included within bank loans due after one year is £906,889 (2021 - £489,292) repayable in instalments due after more than 5 years.

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

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 £104,945 (2021 - £109,672).

Contributions totalling £19,987 (2021 - £20,707) 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

	2022		2021	
	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	1,754	1,754,000
	<u>296,754</u>	<u>2,049,000</u>	<u>296,754</u>	<u>2,049,000</u>

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.

17 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	39,924	30,355
Later than one year and not later than five years	<u>36,617</u>	<u>56,010</u>
	<u>76,541</u>	<u>86,365</u>

Blachford UK Ltd

Notes to the Financial Statements for the Year Ended 31 October 2022 (continued)

17 Obligations under leases and hire purchase contracts (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	2,706	408
Later than one year and not later than five years	343	-
	<u>3,049</u>	<u>408</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £7,776 (2021 - £5,438).

18 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £7,600 (2021 - £22,597).

19 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.

20 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.