

Registered No. 01803787

# Acal BFi UK Limited

## Report and Financial Statements

31 March 2019



## Company information

### Directors

M Briand (resigned 1 November 2018)  
S Gibbins  
D Gray  
I Greatorex  
J Ward (resigned 1 April 2019)  
M Pangels  
P Webster  
S Catley (appointed 1 November 2018)  
V Synnott (appointed 1 April 2019)

### Secretary

G Davidson

### Independent Auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### Bankers

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

### Registered Office

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

## Strategic report

The directors present their strategic report, directors' report and audited financial statements for the year ended 31 March 2019.

### Principal activities and review of the business

Acal BFi UK Limited ('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:

	2019	2018
Turnover (£000)	26,567	27,802
Gross margin	26.7%	26.6%
Operating profit (£000)	700	526
Current assets as % of current liabilities	264%	229%
Average monthly number of employees	126	137

The Company's focus continues to be on higher margin technology segments reflected in the lower turnover and higher margin percentage. Operating profit as a % of sales has improved compared to the prior year, predominantly as the 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 hedging in those currencies through other group companies.

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 and are managed through:

- hedging of foreign exchange exposures by use of forward exchange rate contracts taken out by other group companies;
- effective credit control procedures in place which limit exposure to credit risk;
- regular monitoring of cash flow against forecast and expected liquidity; and
- availability of short term finance through group resources if needed.

Approved by the Board and signed on its behalf by:



S Gibbins  
Director

Date: 20 DECEMBER 2019

Registered No. 01803787

## Directors' report

### Results and dividends

The profit for the financial year amounted to £590,000 (2018 –profit £437,000). The directors do not recommend a dividend (2018 – £0).

### Going concern

The company's business activities, together with the factors likely to affect its performance and financial position have been described in the strategic report on page 2.

The company has sufficient financial resources, well established distribution contracts with a number of suppliers 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 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.

### Directors

The directors who served the company during the year, and up to the date of signing this report, were as follows:

M Briand (resigned 1 November 2018)	S Gibbins
D Gray	I Greatorex
J Ward (resigned 1 April 2019)	M Pangels
P Webster	S Catley (appointed 1 November 2018)
V Synnott (appointed 1 April 2019)	

### 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.

### Financial instruments

Aside from working capital, the company does not have any other financial instruments. Further details on the company's financial risk management is given in the Strategic report on page 2.

### 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 its 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 Gibbins  
Director

Date: 20 DECEMBER 2019

## **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

### 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 2019 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 2019; 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.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### 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.

### **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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, 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.

**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  
20 December 2019



## Profit and loss account

for the year ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Turnover</b>	2	26,567	27,802
Cost of sales		<u>(19,479)</u>	<u>(20,414)</u>
<b>Gross profit</b>		7,088	7,388
Distribution costs		(5,585)	(6,119)
Administrative expenses		<u>(803)</u>	<u>(743)</u>
<b>Operating profit</b>	3	700	526
Interest receivable and similar income	6	37	24
Interest payable and similar expenses	7	<u>(17)</u>	<u>(17)</u>
<b>Profit before taxation</b>		720	533
Tax on profit	8	<u>(130)</u>	<u>(96)</u>
<b>Profit for the financial year</b>		<u>590</u>	<u>437</u>

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 £590,000 in the year ended 31 March 2019 (2018 - £437,000).

**Balance sheet**


at 31 March 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	9	3,283	3,301
Tangible assets	10	467	533
		<u>3,750</u>	<u>3,834</u>
<b>Current assets</b>			
Stocks	11	1,216	1,596
Debtors	12	4,721	6,280*
Cash at bank and in hand		5,906	4,017
		<u>11,843</u>	<u>11,893</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(4,481)</u>	<u>(5,201)*</u>
<b>Net current assets</b>		<u>7,362</u>	<u>6,692</u>
<b>Total assets less current liabilities</b>		11,112	10,526
<b>Creditors: amounts falling due after more than one year</b>	14	(197)	(201)
<b>Net assets</b>		<u>10,915</u>	<u>10,325</u>
<b>Capital and reserves</b>			
Called up share capital	15	10,370	10,370
Other reserves		7,305	7,305
Share scheme reserve		34	34
Profit and loss account		(6,794)	(7,384)
<b>Total Shareholders' funds</b>		<u>10,915</u>	<u>10,325</u>

The notes on pages 11 to 22 form part of these financial statements

\*The prior year information has been represented to reallocate amounts owed between branches within this entity and other group entities

The financial statements on pages 8 to 22 were approved by the Board of Directors on ~~30~~ 20 DECEMBER 2019 and signed on its behalf by



S Gibbins  
Director  
Date: 20 DECEMBER 2019

## Statement of changes in equity

for the year ended at 31 March 2019

	<i>Called-up share capital £000</i>	<i>Other reserves £000</i>	<i>Share scheme reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 April 2017	10,370	7,305	34	(7,821)	9,888
Total comprehensive income for the year	-	-	-	437	437
At 31 March 2018	10,370	7,305	34	(7,384)	10,325
Total comprehensive income for the year	-	-	-	590	590
At 31 March 2019	10,370	7,305	34	(6,794)	10,915

The share scheme reserve arose due to share options granted to certain employees of the company by the company's parent undertaking, discoverIE Group plc.

The amount included in other reserves relates to capital contributions from fellow group undertakings.

## Notes to the financial statements

at 31 March 2019

### 1. Accounting policies

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), applicable accounting standards and the Companies Act 2006. Acal BFi UK Limited is a private limited company incorporated and domiciled in the United Kingdom.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019.

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; and
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- The requirements of paragraphs 10(d), 10(f), 39(c) 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 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; and
- The requirements of paragraphs 6-30 of IFRS 1 First time adoption of International Financial Standards.

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

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 March 2019. They have not had a material impact on the company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2019 that have had a material impact on the company.

#### ***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.

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.

## Notes to the financial statements (continued)

at 31 March 2019

### 1. Accounting policies (continued)

#### **Going concern**

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

The company has sufficient financial resources, well established distribution contracts with a number of suppliers 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.

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.

#### **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;
- d. Dividend income is recognised when the shareholders' right to receive the payment is established.

#### **Tangible fixed assets**

Tangible fixed assets 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.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets, by equal instalments over their estimated useful economic lives as follows:

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis.

## Notes to the financial statements (continued)

at 31 March 2019

### 1. Accounting policies (continued)

#### *Trade and other debtors*

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

In addition to the expected credit loss, 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.

#### *Cash at bank and in hand*

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.

#### *Income taxes*

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

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that 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 timing differences can be deducted.

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

#### *Foreign currencies*

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.

#### *Operating leases*

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

## Notes to the financial statements (continued)

at 31 March 2019

### 1. Accounting policies (continued)

#### *Pensions*

The company participates in a defined benefit pension scheme which shares risks between entities under common control, and which requires contributions to be made to a separately administered fund. The scheme was closed to new members in the year 2000 from which time membership of the defined contribution plan is available.

As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual group entities, the company has recognised a cost equal to its contribution payable in the period. Contributions to the schemes are charged to the profit and loss account when payable.

#### *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 and loss.

##### *Financial assets*

Beginning 1 April 2018, 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.

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.

For assets measured at fair values, gains or losses will either be recorded in profit or loss or other comprehensive income.

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.

##### *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 statement of financial position.

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 finance income using the effective interest rate method.

## Notes to the financial statements (continued)

at 31 March 2019

### 1. Accounting policies (continued)

FVTPL: Derivative financial instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income that is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. The company applies the IFRS 9 simplified approach and uses a provision matrix to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables.

Prior to 1 April 2018, the company classified non-derivative financial assets with fixed or determinable payments as Loans and receivables. They were included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables were presented in trade and other receivables in the consolidated statement of financial position.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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, loans and borrowings, 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. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Judgment and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, 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.

#### *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 rates (note 9).

#### *Inventory provisioning*

In the course of normal trading activities, judgment is used to establish the carrying value of various elements of working capital, principally inventory. Provisions are made against obsolete or slow-moving inventories. The provisions are based on the facts available at the time the financial statements are approved and are also determined by using profiles, based on past practice, applied to certain aged inventory categories (note 11).



## Notes to the financial statements (continued)

at 31 March 2019

### 2. Turnover

	2019 £000	2018 £000
By geographical origin:		
United Kingdom	21,740	23,283
Europe	1,910	1,719
Rest of the world	2,917	2,800
	<u>26,567</u>	<u>27,802</u>

### 3. Operating profit

This is stated after charging/(crediting):

	2019 £000	2018 £000
Auditors' remuneration – audit services	33	30
Depreciation of tangible fixed assets (note 10)	131	129
Write down of inventories	496	58
Foreign exchange loss/(gain)	1	(1)
Operating lease rentals – other	221	246
– land and buildings	<u>399</u>	<u>382</u>

### 4. Directors' remuneration

	2019 £000	2018 £000
Aggregate remuneration in respect of qualifying services	271	279
Aggregate contribution to money purchase pension schemes	17	19
	<u>288</u>	<u>298</u>

No directors exercised share options during the year (2018 – 0).

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

	No.	No.
Defined contribution schemes	<u>3</u>	<u>2</u>

The aggregate of remuneration for the highest paid director was £173,866 (2018 – £168,300).

Pension contributions to the money purchase scheme of the highest paid director was £10,098 (2018 – £12,443).

Five directors (2018 – 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, discoverIE Management Services Limited in respect of services to the group. The directors consider that the proportion of the remuneration that relates to services to this company is £137,076 (2018 – £190,944).

## Notes to the financial statements (continued)

at 31 March 2019

### 5. Staff costs

	2019 £000	2018 £000
Wages and salaries	5,016	5,287
Social security costs	583	634
Other pension costs	254	224
	<u>5,853</u>	<u>6,145</u>

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

	No.	No.
Sales and marketing	97	101
Distribution	9	15
Administration	20	21
	<u>126</u>	<u>137</u>

Number of persons employed at 31 March 2019 was 126 (2018 – 132).

### 6. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable on bank accounts	<u>37</u>	<u>24</u>

### 7. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on overdrafts	<u>17</u>	<u>17</u>

## Notes to the financial statements (continued)

at 31 March 2019

### 8. Tax on profit

#### (a) Tax on profit

The tax charge is made up as follows:

	2019	2018
	£000	£000
<b>Current tax:</b>		
UK corporation tax on the profit for the year	124	77
Adjustment in respect of prior periods	4	-
Total current tax	<u>128</u>	<u>77</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	6	19
Adjustment in respect of prior periods	(4)	-
Impact of rate changes on deferred tax	-	-
Total deferred tax	<u>2</u>	<u>19</u>
Tax on profit (note 8(b))	<u>130</u>	<u>96</u>

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

The tax assessed for the year 2019 differs (2018: differs) from the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit before taxation	<u>720</u>	<u>533</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	137	101
<b>Effects of:</b>		
Permanent differences	(7)	(5)
Adjustments to the current tax charge in respect of prior periods	4	-
Adjustments to deferred tax charge in respect of prior periods	(4)	-
Rate differences on deferred tax	-	-
Total tax for the year (note 8(a))	<u>130</u>	<u>96</u>

#### (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 timing differences can be deducted.

## Notes to the financial statements (continued)

at 31 March 2019

### 8. Tax on profit (continued)

(c) Deferred tax (continued)

Deferred tax is recognised at 19% (2018 – 19%). The deferred tax asset comprises the following:

	<i>Decelerated capital allowances</i>	<i>Other timing differences</i>	<i>Total</i>
	£000	£000	£000
At 1 April 2017	186	20	206
Debit/(Credit) to the profit and loss account (note 8(a))	(24)	5	(19)
At 31 March 2018	162	25	187
Debit/(Credit) to the profit and loss account (note 8(a))	(19)	17	(2)
At 31 March 2019 (note 12)	143	42	185

(d) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 17% had been substantively enacted at 1 April 2017 but, before this becomes effective from 1 April 2020, a rate of 19% is applicable.

### 9. Intangible assets

	<i>Computer Software</i>	<i>Goodwill</i>	<i>Total</i>
	£000	£000	£000
Deemed cost:			
At 31 March 2018	186	6,447	6,633
Additions	3	-	3
At 31 March 2019	189	6,447	6,636
Accumulated Amortisation and Impairment:			
At 31 March 2018	146	3,186	3,332
Amortisation Charge for the year	21	-	21
At 31 March 2019	167	3,186	3,353
Net book value:			
At 31 March 2019	22	3,261	3,283
At 31 March 2018	40	3,261	3,301

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 6-30 of IFRS 1 to retain deemed cost as the brought forward net book value from previous GAAP.

## Notes to the financial statements (continued)

at 31 March 2019

### 9. Intangible assets (continued)

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 2019 forecast and management projections thereon. An average annual revenue growth rate of 3% (2018 – 3%) has been used. Annual cash flow growth rate beyond the five-year period was assumed at 2% (2018 – 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 12% (2018 – 14%).

Sensitivity to changes in assumptions:

The Company has conducted sensitivity analysis on the impairment test of the CGU carrying value. There is a reasonable possibility of change in the key assumption of revenue growth which could erode the estimated headroom amount by which the carrying value of the CGU exceeds its recoverable amount. A compound annual growth rate (CAGR) in revenues of less than 1% for the five-year forecast period would result in the recoverable amount of the business equalling its carrying value.

### 10. Tangible assets

	<i>Leasehold improvements</i>	<i>Plant, machinery and equipment</i>	<i>Total</i>
	£000	£000	£000
Cost:			
At 31 March 2018	745	408	1,153
Additions	2	63	65
Disposals	-	(45)	(45)
At 31 March 2019	<u>747</u>	<u>426</u>	<u>1,173</u>
Accumulated Depreciation:			
At 31 March 2018	421	199	620
Charge for the year	63	68	131
Disposals	-	(45)	(45)
At 31 March 2019	<u>484</u>	<u>222</u>	<u>706</u>
Net book value:			
At 31 March 2019	<u>263</u>	<u>204</u>	<u>467</u>
At 31 March 2018	<u>324</u>	<u>209</u>	<u>533</u>

## Notes to the financial statements (continued)

at 31 March 2019

### 11. Stocks

	2019	2018
	£000	£000
Finished goods	1,216	1,596

### 12. Debtors

	2019	2018
	£000	£000
Trade debtors	4,063	4,711
Amounts owed by group undertakings	210	1,083*
Prepayments and accrued income	263	299
Deferred tax asset (note 8(c))	185	187
	<u>4,721</u>	<u>6,280</u>

\*The prior year information has been represented to reallocate amounts owed between branches within this entity and other group entities

### 13. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank overdraft	793	516
Trade creditors	655	441
Amounts owed to group undertakings	1,370	2,191*
Corporation tax	124	77
Other taxes and social security costs	721	886
Accruals and deferred income	818	1,090
	<u>4,481</u>	<u>5,201</u>

\*The prior year information has been represented to reallocate amounts owed between branches within this entity and other group entities

### 14. Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Accruals	197	201
	<u>197</u>	<u>201</u>

### 15. Called up share capital

		2019		2018
	No.	£000	No.	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	10,369,967	<u>10,370</u>	10,369,967	<u>10,370</u>

## Notes to the financial statements (continued)

at 31 March 2019

### 16. Guarantees and financial commitments

The company has a Siva Duty deferment guarantee of £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.

### 17. Obligations under leases

At 31 March future minimum lease payments under operating leases are as follows:

	2019		2018	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Future minimum lease payments due:				
Not later than one year	412	155	397	163
After one year but not later than five years	1,184	106	675	117
	<u>1,596</u>	<u>261</u>	<u>1,072</u>	<u>280</u>

### 18. Ultimate parent undertaking 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.