

BF1 SOLUTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2020



BF1 SOLUTIONS LIMITED

COMPANY INFORMATION

Directors

M D Norton
G Peel
J R Shingleton
J C Welham
H A Costello (appointed 8 November 2019)
A D Robson (appointed 8 November 2019)

Registered number

11377708

Registered office

The Technical Centre
Owen Road
Diss
Norfolk
IP22 4ER

Independent auditors

Larking Gowen LLP
Chartered Accountants & Statutory Auditors
King Street House
15 Upper King Street
Norwich
NR3 1RB

BF1 SOLUTIONS LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditors' Report	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10 - 11
Company Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15 - 16
Analysis of Net Debt	17
Notes to the Financial Statements	18 - 41

BF1 SOLUTIONS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2020

The directors present their Strategic Report for the year ended 31 January 2020.

Business review

BF1 Solutions Limited is a non-trading holding company. BF1 Solutions Limited's 100% subsidiary, bf1systems Limited, founded in 1994, is a market leading provider of electrical, electronic and composite solutions to clients in the motorsport and automotive industries. bf1systems' components are featured on World Championship winning vehicles in all top-level motorsport disciplines including F1, IndyCar, World Rally and Moto GP.

From its UK-based Technical Centre, bf1systems Limited supplies the very best of the motorsport and automotive world with bf1systems products featuring on many of the most successful motor racing vehicles competing across the world today, along with the some of the fastest and most desirable cars on the road.

In November 2019 the Business Growth Fund (BGF) purchased a minority interest in the share capital of BF1 Solutions Limited. The investment will support the group's long-term growth strategy, including expansion of its product offering and development of new partnerships. The directors believe the investment is excellent news for the group, and is testament to the group's high quality, reliable and cost-effective products, and to the hard work of so many since the business first began 25 years ago.

Future outlook

The 2021 financial year will inevitably be impacted by the Covid-19 pandemic, with lockdown in the UK happening in March 2020. The directors responded quickly to the unfolding situation, and implemented a number of measures to both address costs, secure long-term liquidity and to ensure the safety of its people. Trading and output in the four months or so since then has been behind budget, but the company has continued to trade, and revenues have recovered well in June and July. The directors have updated forecasts to take account of revised expectations in light of the Covid-19 pandemic. These demonstrate the company and group has sufficient cash to sustain operations. The directors are therefore confident that the company and group is well placed operationally and financially to manage the challenges presented by the pandemic.

Overall, the future focus of the company and group remains unchanged, to increase market share in core markets whilst developing a portfolio of complimentary products to satisfy customer need. This clear strategic direction is expected to provide solid opportunities for growth in the short to medium term.

BF1 SOLUTIONS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Financial key performance indicators

The group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators (KPIs). The KPIs for the business are turnover, gross profit margin, operating profit margin and net profit margin.

On 31 July 2018 the company acquired the BF1 group. The prior period therefore represents six months of trading activity compared to 12 months in the current period. The results for the year ended 31 January 2020 show an increase in turnover, due principally to a full years' worth of trading activity, and also the continued growth in revenue of the subsidiary company, bf1systems Limited.

The KPIs for the period ended 31 January 2020 are as follows:

	2020	2019
Turnover (£)	12,730,443	5,420,101
Gross profit margin (%)	38.63	36.86
Operating profit margin (%)	11.73	8.83
Net profit margin (%)	10.81	8.40

The key non-financial key performance indicator is staff numbers, which have increased in the current year to 116 (2019: 114).

Principal risks and uncertainties

The group is subject to a number of risks and uncertainties. Recent developments with regards to the Covid-19 pandemic has created further uncertainty for our business, in particular in relation to demand for our products as eluded to elsewhere in these financial statements. Brexit also continues to create general economic uncertainty, although at present we are confident we can navigate any operational issues that a no deal exit might present.

The group's operations expose it to financial risks that include price risk, credit risk, liquidity risk and interest rate risk. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

Price risk

The group is exposed to price risk through competitor activities. These activities are monitored and it is group policy that appropriate remedial actions are taken, when deemed appropriate.

Credit risk

Reports are reviewed on a frequent basis detailing customers who have exceeded their credit limits or who are late in remitting payments.

Liquidity risk

The group maintains a mixture of cash deposits and intercompany trading balances that are designed to ensure the group has sufficient available funds for operations. As described in note 2.3, the company and group is carefully managing liquidity in light of the Covid-19 pandemic.

BF1 SOLUTIONS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020**

Interest rate risk

The group receives interest on its cash deposits at a variable rate. The deposits are not considered significant enough to warrant hedging. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

Research and development activities

During the year, the group conducted research and development activities, mainly relating to bespoke engineering applications for the motor racing industry.

This report was approved by the board and signed on its behalf.



G Peel
Director

Date: 20 July 2020

BF1 SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2020

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £1,835,581 (2019 - £348,438).

On 31 July 2018 the company purchased 100% of the ordinary share capital of BF1 Technologies Limited. The prior period therefore represents six months of trading activity compared to 12 months in the current period.

Dividends were paid during the year of £327,618 (2019: £100,000).

BF1 SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Directors

The directors who served during the year were:

M D Norton

G Peel

J R Shingleton

J C Welham

R E Norton (appointed 9 April 2019, resigned 8 November 2019)

K S Peel (appointed 9 April 2019, resigned 8 November 2019)

T M Shingleton (appointed 9 April 2019, resigned 8 November 2019)

A Welham (appointed 9 April 2019, resigned 8 November 2019)

H A Costello (appointed 8 November 2019)

A D Robson (appointed 8 November 2019)

Matters covered in the strategic report

Information in respect of the business review and outlook, key performance indicators, future developments and principal risks and uncertainties can be found in the strategic report.

Post balance sheet events

Subsequent to the year end the impact of the Covid-19 pandemic became significant with lockdown in the UK in March 2020. The directors consider the event to be non-adjusting, and in any event do not believe the event would have created any material impact on the balance sheet at the year end. Further information on the group's response to the economic challenges presented by the pandemic is included in note 2.3 and the Strategic Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, Larking Gowen LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



G Peel
Director

Date: 20 July 2020

BF1 SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BF1 SOLUTIONS LIMITED

Opinion

We have audited the financial statements of BF1 Solutions Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2020, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, 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 Group's and of the parent Company's affairs as at 31 January 2020 and of the Group's 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

BF1 SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BF1 SOLUTIONS LIMITED (CONTINUED)

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

We have nothing to report in this regard.

Opinion on other matters 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 Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the 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 the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 Directors' Responsibilities Statement 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

BF1 SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BF1 SOLUTIONS LIMITED (CONTINUED)

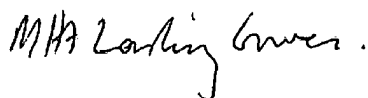
Auditors' responsibilities for the audit of the financial statements

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.



Anders Rasmussen (Senior Statutory Auditor)

for and on behalf of
Larking Gowen LLP

Chartered Accountants
Statutory Auditors

Norwich

22 July 2020

BF1 SOLUTIONS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2020**

	Note	Year ended 31 January 2020 £	Period Ended 31 January 2019 £
Turnover	4	12,730,443	5,420,101
Cost of sales		(7,813,031)	(3,422,437)
Gross profit		4,917,412	1,997,664
Administrative expenses		(3,426,198)	(1,528,495)
Other operating income		1,576	9,434
Operating profit	5	1,492,790	478,603
Interest receivable and similar income	9	2,288	1,002
Interest payable and similar expenses	10	(119,276)	(24,063)
Profit before taxation		1,375,802	455,542
Tax on profit	11	460,349	(107,570)
Profit for the financial year		1,836,151	347,972
Currency translation differences		(10,225)	-
Other comprehensive income for the year		(10,225)	-
Total comprehensive income for the year		1,825,926	347,972
Profit for the year attributable to:			
Non-controlling interests		570	(466)
Owners of the parent Company		1,835,581	348,438
		1,836,151	347,972

The notes on pages 18 to 41 form part of these financial statements.

BF1 SOLUTIONS LIMITED
REGISTERED NUMBER: 11377708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	259,257	333,452
Tangible assets	14	1,477,313	1,437,041
		<u>1,736,570</u>	<u>1,770,493</u>
Current assets			
Stocks	16	1,158,891	1,578,075
Debtors: amounts falling due within one year	17	1,882,113	2,771,930
Cash at bank and in hand	18	2,458,591	523,778
		<u>5,499,595</u>	<u>4,873,783</u>
Creditors: amounts falling due within one year	19	(3,233,719)	(2,753,395)
Net current assets		<u>2,265,876</u>	<u>2,120,388</u>
Total assets less current liabilities		<u>4,002,446</u>	<u>3,890,881</u>
Creditors: amounts falling due after more than one year	20	(1,000,647)	(1,463,842)
Provisions for liabilities			
Deferred taxation	23	(69,679)	(53,975)
Other provisions	24	(125,221)	(125,221)
		<u>(194,900)</u>	<u>(179,196)</u>
Net assets		<u><u>2,806,899</u></u>	<u><u>2,247,843</u></u>
Capital and reserves			
Called up share capital	25	708	700
Share premium account	26	44,498	-
Other reserves	26	(983,758)	-
Merger reserve	26	1,999,171	1,999,171
Profit and loss account	26	1,746,176	248,438
Non-controlling interests		104	(466)
		<u><u>2,806,899</u></u>	<u><u>2,247,843</u></u>

BF1 SOLUTIONS LIMITED
REGISTERED NUMBER: 11377708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 JANUARY 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



G Peel
Director

Date: 20 July 2020

The notes on pages 18 to 41 form part of these financial statements.

BF1 SOLUTIONS LIMITED
REGISTERED NUMBER: 11377708

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	15	2,899,413	2,899,413
Creditors: amounts falling due within one year	19	(1,209,273)	(489,521)
Net current liabilities		(1,209,273)	(489,521)
Total assets less current liabilities		1,690,140	2,409,892
Creditors: amounts falling due after more than one year	20	(595,178)	(410,021)
Net assets		1,094,962	1,999,871
Capital and reserves			
Called up share capital	25	708	700
Share premium account	26	44,498	-
Other reserves	26	(983,758)	-
Merger reserve	26	1,999,171	1,999,171
Profit for the year		361,961	100,000
Dividends		(327,618)	(100,000)
Profit and loss account carried forward		34,343	-
		1,094,962	1,999,871

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



G Peel
Director

Date: 20 July 2020

The notes on pages 18 to 41 form part of these financial statements.

BF1 SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020

	Called up share capital £	Share premium account £	Other reserves £	Merger reserve £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
Comprehensive income for the year								
Profit for the year	-	-	-	-	348,438	348,438	(466)	347,972
Dividends: Equity capital	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Shares issued during the year	700	-	-	-	-	700	-	700
Merger relief on premium paid	-	-	-	1,999,171	-	1,999,171	-	1,999,171
At 1 February 2019	700	-	-	1,999,171	248,438	2,248,309	(466)	2,247,843
Comprehensive income for the year								
Profit for the year	-	-	-	-	1,835,581	1,835,581	570	1,836,151
Currency translation differences	-	-	-	-	(10,225)	(10,225)	-	(10,225)
Dividends: Equity capital	-	-	-	-	(327,618)	(327,618)	-	(327,618)
Shares issued during the year	8	44,498	-	-	-	44,506	-	44,506
Compound instrument: liability component	-	-	(983,758)	-	-	(983,758)	-	(983,758)
At 31 January 2020	708	44,498	(983,758)	1,999,171	1,746,176	2,806,795	104	2,806,899

The notes on pages 18 to 41 form part of these financial statements.

BF1 SOLUTIONS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020

	Called up share capital £	Share premium account £	Other reserves £	Merger reserve £	Profit and loss account £	Total equity £
Comprehensive income for the year						
Profit for the year	-	-	-	-	100,000	100,000
Dividends: Equity capital	-	-	-	-	(100,000)	(100,000)
Shares issued during the year	700	-	-	-	-	700
Merger relief on premium paid	-	-	-	1,999,171	-	1,999,171
At 1 February 2019	700	-	-	1,999,171	-	1,999,871
Comprehensive income for the year						
Profit for the year	-	-	-	-	361,961	361,961
Dividends: Equity capital	-	-	-	-	(327,618)	(327,618)
Shares issued during the year	8	44,498	-	-	-	44,506
Compound instrument: liability component	-	-	(983,758)	-	-	(983,758)
At 31 January 2020	708	44,498	(983,758)	1,999,171	34,343	1,094,962

The notes on pages 18 to 41 form part of these financial statements.

BF1 SOLUTIONS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JANUARY 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	1,836,151	347,972
Adjustments for:		
Amortisation of intangible assets	74,195	37,050
Depreciation of tangible assets	210,820	94,279
Foreign exchange difference	(9,459)	-
Interest paid	119,276	24,063
Interest received	(2,288)	(1,002)
Taxation charge	(460,349)	(107,570)
Decrease/(increase) in stocks	419,184	(274,821)
Decrease/(increase) in debtors	567,356	(304,204)
(Decrease)/increase in creditors	(171,457)	605,117
Corporation tax received	190,034	214,652
Net cash generated from operating activities	2,773,463	635,536
Cash flows from investing activities		
Purchase of tangible fixed assets	(251,858)	(118,930)
Interest received	2,288	1,002
HP interest paid	(7,735)	(8,054)
Cash consideration	-	(339,871)
Cash inflow from acquisition	-	554,254
Net cash from investing activities	(257,305)	88,401

BF1 SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020

	2020 £	2019 £
Cash flows from financing activities		
Issue of ordinary shares	44,506	-
Repayment of loans	(23,093)	(11,308)
Repayment of other loans	(225,000)	-
Repayment of/new finance leases	(14,078)	(72,842)
Dividends paid	(327,618)	(100,000)
Interest paid	(36,062)	(16,009)
Net cash used in financing activities	<u>(581,345)</u>	<u>(200,159)</u>
Net increase in cash and cash equivalents	<u>1,934,813</u>	<u>523,778</u>
Cash and cash equivalents at beginning of year	523,778	-
Cash and cash equivalents at the end of year	<u><u>2,458,591</u></u>	<u><u>523,778</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,458,591	523,778
	<u><u>2,458,591</u></u>	<u><u>523,778</u></u>

The notes on pages 18 to 41 form part of these financial statements.

BF1 SOLUTIONS LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 JANUARY 2020**

	At 1 February 2019 £	Cash flows £	New finance leases £	Other non- cash changes £	At 31 January 2020 £
Cash at bank and in hand	523,778	1,934,813	-	-	2,458,591
Debt due after 1 year	(1,064,437)	-	-	849,664	(214,773)
Debt due within 1 year	(172,614)	172,614	-	(849,664)	(849,664)
Finance leases	(44,067)	44,888	(30,810)	-	(29,989)
	<u>(757,340)</u>	<u>2,152,315</u>	<u>(30,810)</u>	<u>-</u>	<u>1,364,165</u>

The notes on pages 18 to 41 form part of these financial statements.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

1. General information

BF1 Solutions Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at The Technical Centre, Owen Road, Diss, Norfolk, United Kingdom, IP22 4ER.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.3 Going concern

The directors have considered the company's and group's position at the time of signing the financial statements, and in particular the current issues caused by Covid-19 and its potential impact on the company, the group, and the key destination markets for the company's products.

The 2021 financial year will inevitably be impacted by the Covid-19 pandemic, with output in the four months or so since the UK lockdown in March 2020 being significantly behind budget. In response to the pandemic, the directors have taken advantage of the various government support schemes available, including the precautionary steps of securing both a 12 month capital repayment holiday for the existing bank loan and an additional £1.6m CBILS loan facility.

Revenues have started to recover in June and July, and the directors have prepared detailed financial forecasts for the next twelve months, updated from original budgets to take account of revised expectations in light of the Covid-19 pandemic. These forecasts, based on relatively pessimistic sales expectations, show that the group has sufficient cash headroom for the period, and it is not anticipated that the £1.6m CBILS loan will need to be used at all under this expected scenario. This, along with a range of other measures available to the directors to further manage cash should the need arise, means there is considerable cash headroom should the pandemic create further economic shocks.

Based on this, the directors consider the company and group well placed operationally and financially to manage the challenges now, and as further developments unfold relating to the pandemic. The directors have concluded that the company and group will have adequate resources to continue in operational existence for the foreseeable future, and at least twelve months from the date of approval of these financial statements. They therefore continue to adopt the going concern basis in preparing the financial statements.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

2. Accounting policies (continued)

2.13 Current and deferred taxation

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

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 and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.14 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life of 5 years.

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Short-term leasehold property	- length of the lease (10% straight line)
Plant and machinery	- 5% - 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting 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.

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

2. Accounting policies (continued)

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.22 Financial instruments

Except as set out below in relation to loan notes the Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.22 Financial instruments (continued)

The Group has loan notes which are non-basic financial instruments. These are initially recognised at fair value at the date of issue. At each balance sheet date the fair value is remeasured with movements going through "Interest payable and similar expenses" within the Consolidated Statement of Comprehensive Income.

Compound instruments comprise both a liability and an equity component. The liability component is measured using the estimated market interest rate for a similar debt instrument and is accounted for as a financial instrument.

2.23 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounts estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Warranty provision

Management review the provision annually, considering the likelihood of any claims, the number of claims that may be made and the potential cost to the business to fulfil the warranty commitment on any such claims. This requires judgement of management to assess the provision required.

Amortisation of goodwill

Accounting for goodwill involves the use of estimates and judgements for determining the useful life over which this is to be amortised and the existence and amount of any impairment.

Goodwill is amortised in equal installments over its estimated useful economic life. When the Group estimates useful life, various factors are considered including expected future utilisation of the assets concerned. The directors regularly review the useful life and change it as necessary to reflect the estimated current remaining life in light of future economic utilisation of the asset concerned. A significant change in asset life can have a significant change on amortisation charge for the period.

Compound instruments

As explained in notes 19 and 27, the estimate of the debt element of the A ordinary shares is dependent on an estimate of the market rate of a similar debt instrument, which is considered by the directors to be 10%, and on when an exit is likely to occur.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

4. Turnover

The whole of the turnover is attributable to the principle activities of the Group.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	4,184,410	1,612,842
Rest of Europe	7,137,645	2,960,001
Rest of the world	1,408,388	847,258
	<u>12,730,443</u>	<u>5,420,101</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation on owned assets	183,104	80,038
Depreciation on assets held under finance leases	28,482	14,241
Exchange differences	48,258	10,229
Other operating lease rentals	23,583	19,067
Amortisation on goodwill	74,195	37,050
	<u>367,622</u>	<u>160,625</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>3,000</u>	<u>3,000</u>

Fees payable to the Group's auditor and its associates in respect of:

Audit of the financial statements of subsidiaries	15,000	17,000
Taxation compliance services	3,750	13,000
Services relating to R&D claims	-	15,000
Other services - overseas subsidiary	-	2,732
	<u>18,750</u>	<u>47,732</u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Wages and salaries	3,752,907	1,750,597	-	-
Social security costs	342,895	157,926	-	-
Cost of defined contribution scheme	185,462	76,620	-	-
	4,281,264	1,985,143	-	-

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Production	90	87
Administration	26	27
	116	114

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	554,361	253,516
Company contributions to defined contribution pension schemes	33,022	15,000
	587,383	268,516

During the year retirement benefits were accruing to 4 directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £156,130 (2019 - £80,665).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2019 - £NIL).

The directors are considered to be the key management of the Group.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

9. Interest receivable

	2020 £	2019 £
Other interest receivable	2,288	1,002
	<u>2,288</u>	<u>1,002</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	1,075	-
Other loan interest payable	91,856	11,295
Mortgage interest payable	18,610	4,714
Finance leases and hire purchase contracts	7,735	8,054
	<u>119,276</u>	<u>24,063</u>

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(81,639)	101,342
Adjustments in respect of previous periods	(394,414)	-
	<u>(476,053)</u>	<u>101,342</u>
Total current tax	<u>(476,053)</u>	<u>101,342</u>
Deferred tax		
Origination and reversal of timing differences	13,520	6,228
Adjustments in respects of previous periods	2,184	-
Total deferred tax	<u>15,704</u>	<u>6,228</u>
Taxation on (loss)/profit on ordinary activities	<u>(460,349)</u>	<u>107,570</u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

11. Taxation (continued)**Factors affecting tax charge for the year**

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

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,375,802</u>	<u>455,542</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	261,402	86,553
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	14,097	7,040
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	64,657	(698)
Adjustments to tax charge in respect of prior periods	(392,230)	-
Other differences leading to an increase (decrease) in taxation	(7,118)	14,675
Research and development deduction leading to a (decrease) in the tax charge	(401,157)	-
Total tax charge for the year	<u>(460,349)</u>	<u>107,570</u>

Factors that may affect future tax charges

Legislation to retain the main rate of corporation at 19% instead of reducing to 17% on 1 April 2020 was included in the Finance Bill 2020. This bill had not been substantially enacted by 31 January 2020. As such deferred tax has been provided for at 17% in the financial statements.

12. Dividends

	2020 £	2019 £
Dividends paid on ordinary shares	300,000	100,000
Dividends paid on A ordinary shares	27,618	-
	<u>327,618</u>	<u>100,000</u>

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

13. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 February 2019	370,502
At 31 January 2020	<u>370,502</u>
Amortisation	
At 1 February 2019	37,050
Charge for the year on owned assets	74,195
At 31 January 2020	<u>111,245</u>
Net book value	
At 31 January 2020	<u><u>259,257</u></u>
At 31 January 2019	<u><u>333,452</u></u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

14. Tangible fixed assets

Group

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Total £
Cost or valuation				
At 1 February 2019	847,021	93,386	590,913	1,531,320
Additions	-	-	251,858	251,858
At 31 January 2020	<u>847,021</u>	<u>93,386</u>	<u>842,771</u>	<u>1,783,178</u>
Depreciation				
At 1 February 2019	10,002	11,505	72,772	94,279
Charge for the year on owned assets	30,108	11,963	169,515	211,586
At 31 January 2020	<u>40,110</u>	<u>23,468</u>	<u>242,287</u>	<u>305,865</u>
Net book value				
At 31 January 2020	<u><u>806,911</u></u>	<u><u>69,918</u></u>	<u><u>600,484</u></u>	<u><u>1,477,313</u></u>
At 31 January 2019	<u><u>837,019</u></u>	<u><u>81,881</u></u>	<u><u>518,141</u></u>	<u><u>1,437,041</u></u>

The net book value of plant and machinery includes £48,635 (2019: £93,354) held under finance leases or hire purchase contracts.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

15. Fixed asset investments**Company**

**Investments
in
subsidiary
companies
£**

Cost or valuation

At 1 February 2019

2,899,413

At 31 January 2020

2,899,413**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
BF1 Technologies Limited	Same as company	Ordinary	100%
Bf1electronics Limited*	Same as company	Ordinary	100%
BF1 Motorsport Holdings Limited**	Same as company	Ordinary	100%
bf1systems Limited**	Same as company	Ordinary	100%
BF Systems Manufacturing***	Building 3, Simeria Business Park, No. 20 Avram Iancu Street, Simeria, Hunedoara Country, Romania	Ordinary	99.92%
BF1 Systems LLC****	160 Mine Lake Court, Suite 200, Raleigh, Wake, North Carolina, United States of America	Membership interest	100%

*100% owned by BF1 Technologies Limited

**100% owned by Bf1electronics Limited

***99.92% owned by bf1systems Limited

****100% owned by bf1systems Limited

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

16. Stocks

	Group 2020 £	Group 2019 £
Raw materials and consumables	1,087,241	1,489,841
Work in progress (goods to be sold)	71,650	88,234
	<u>1,158,891</u>	<u>1,578,075</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The carrying value of stocks are stated net of impairment losses totalling £204,951 (2019 - £278,753). Impairment reversal totalling £73,802 (2019 - £67,128 impairment) were recognised in profit and loss.

17. Debtors

	Group 2020 £	Group 2019 £
Trade debtors	1,640,784	2,087,644
Other debtors	41,334	42,869
Prepayments and accrued income	107,522	226,483
Tax recoverable	92,473	414,934
	<u>1,882,113</u>	<u>2,771,930</u>

Included within other debtors due within one year are loans to the directors of £Nil (2019 - £33,332). The loans were repaid in the year and there were no advances. The amounts did not accrue interest.

18. Cash and cash equivalents

	Group 2020 £	Group 2019 £
Cash at bank and in hand	2,458,591	523,778
	<u>2,458,591</u>	<u>523,778</u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

19. Creditors: Amounts falling due within one year

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Bank loans	654,416	23,093	-	-
Other loans	195,248	149,521	195,248	149,521
Trade creditors	846,071	1,061,418	-	-
Amounts owed to group undertakings	-	-	410,672	340,000
Corporation tax	-	608,480	-	-
Other taxation and social security	99,040	109,013	-	-
Obligations under finance lease and hire purchase contracts	17,990	38,132	-	-
Other creditors	872,528	189,903	603,353	-
Accruals and deferred income	548,426	573,835	-	-
	<u>3,233,719</u>	<u>2,753,395</u>	<u>1,209,273</u>	<u>489,521</u>

The A ordinary shares described in note 25 are entitled to non-discretionary dividends. The A ordinary shares are therefore a compound instrument consisting of both a debt and equity element. The company's obligation to make the non-discretionary dividend payment is recognised as a liability of £983,758. This is the estimated future dividend obligation discounted to present value, using a rate of 10%, which the directors estimate to be the market rate of a similar debt instrument. The liability is included in other creditors and is split £603,353 falling due within one year and £380,405 falling due after more than one year.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

20. Creditors: Amounts falling due after more than one year

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Bank loans	-	654,416	-	-
Other loans	214,773	410,021	214,773	410,021
Net obligations under finance leases and hire purchase contracts	11,999	5,935	-	-
Other creditors	773,875	393,470	380,405	-
	<u>1,000,647</u>	<u>1,463,842</u>	<u>595,178</u>	<u>410,021</u>

The hire purchase and finance lease liabilities are secured against the assets to which they relate.

The other loans are loan notes of £675,000 issued in 2018. The loan notes are repayable in three annual installments of £225,000. The loan notes do not accrue interest. Upon issue a fair value exercise was undertaken which determined the fair value of the loan notes to be £559,542 at inception. The difference of £115,458 will be released over the life of the loan note instruments to the Consolidated Statement of Comprehensive Income, and included in "Interest payable and similar expenses". The release in the year is £75,479 (2019: £Nil).

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

21. Loans

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Amounts falling due within one year				
Bank loans	654,416	23,093	-	-
Other loans	195,248	149,521	195,248	149,521
	849,664	172,614	195,248	149,521
Amounts falling due 1-2 years				
Bank loans	-	654,416	-	-
Other loans	214,773	195,248	214,773	195,248
	214,773	849,664	214,773	195,248
Amounts falling due 2-5 years				
Other loans	-	214,773	-	214,773
	-	214,773	-	214,773
	1,064,437	1,237,051	410,021	559,542

The net book value of plant and machinery includes £48,635 (2019: £93,354) held under finance leases or hire purchase contracts.

The bank loan relates to a property mortgage. The loan was repayable in 60 installments with a final lump sum due on maturity 60 months after drawdown. As explained in note 2.3, a 12 month capital repayment holiday for the bank loan was secured after the year end. Interest is payable at 2.3% above the published base rate of National Westminster Bank Plc. The loan is secured by a legal charge over the freehold property.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

22. Financial instruments

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Financial liabilities measured at fair value through profit or loss	<u>410,021</u>	<u><i>559,542</i></u>	<u>410,021</u>	<u><i>559,542</i></u>

Financial liabilities measured at fair value through profit and loss comprise loan notes issued in 2018 as detailed in note 20.

23. Deferred taxation

Group

	2020 £
At beginning of year	(53,975)
Charged to profit or loss	(15,704)
At end of year	<u>(69,679)</u>

	Group 2020 £	<i>Group 2019 £</i>
Accelerated capital allowances	(77,436)	<i>(57,606)</i>
Tax losses carried forward	2,395	<i>-</i>
Other timing differences	5,362	<i>3,631</i>
	<u>(69,679)</u>	<u><i>(53,975)</i></u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

24. Provisions**Group**

	Warranty provision £
At 1 February 2019	125,221
At 31 January 2020	125,221

In respect of the warranty provision, best estimates have been made as to the expected costs that will be incurred on products that have been sold, but are felt to have a future liability for the group.

25. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
50,908 (2019 - 70,000) ordinary shares of £0.01 each	509	700
19,092 (2019 - nil) A ordinary shares of £0.01 each	191	-
354 (2019 - nil) B ordinary shares of £0.01 each	4	-
353 (2019 - nil) growth shares of £0.01 each	4	-
	708	700

The holders of A ordinary shares are entitled to receive in priority to the holders of the ordinary shares and B ordinary shares the Priority Dividend, the Special Dividend and the Long Term Dividend (as defined in the articles). Thereafter the distribution of profits is pro rata amongst the holders of the ordinary shares, A ordinary shares and B ordinary shares. The growth shares are not entitled to distributions.

The capital rights attached to the shares on a liquidation and exit differ between class of share and are set out in the Articles of Association, article 3.2.

Ordinary shares, A ordinary shares and B ordinary shares carry voting rights. Growth shares are non-voting

All shares are non-redeemable.

As described in note 19, the A ordinary shares are a compound instrument consisting of both a debt and equity element. The debt element is recognised as a liability in other creditors.

During the year the company redesignated 19,092 ordinary shares of £0.01 each as 19,092 A ordinary shares of £0.01 each.

In addition 354 B ordinary shares of £0.01 each were issued for £44,502 and 353 growth shares of £0.01 were issued for par.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

26. Reserves

Share premium account

The share premium account records the amount of consideration received for shares sold, less their nominal value.

Other reserves

The company's estimated non-discretionary future dividend obligation discounted to present value.

Merger Reserve

The premium paid on business combination of subsidiary entity.

Profit and loss account

Includes all current and prior period retained profits and losses.

27. Contingent liabilities

Under the terms of the A ordinary shares, from 1 February 2025 the holder is entitled to a Long Term Dividend until the date the ordinary shares, A ordinary shares and B ordinary shares are acquired by an independent third party ("an exit"). The dividend is calculated as the higher of 10% of net profit and £240,014 per annum. The company calculates the fair value of this instrument based on the probability of an exit event occurring at various future dates, and a weighted average dividend payment thereafter calculated, discounted to present value using the estimated market value of a similar debt instrument. The probability attached to the timing of an event and resultant change to the fair value of the dividend payments will be reassessed each year. As at 31 January 2020 the directors have assessed the probability of an exit occurring before the payments of any Long Term Dividend is triggered as being 100% and accordingly assess the fair value of the instrument as at that date as being zero.

28. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £185,462 (2019: £76,620). Contributions totalling £38,803 (2019: £15,583) were payable to the fund at the reporting date and are included in creditors.

The group also pays the premium for a group life assurance scheme policy for all employees.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

29. Commitments under operating leases

At 31 January 2020 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £	Group 2019 £
Land and buildings		
Not later than 1 year	27,500	23,650
Later than 1 year and not later than 5 years	45,833	73,333
	73,333	96,983
	Group 2020 £	Group 2019 £
Other		
Not later than 1 year	7,116	8,539
Later than 1 year and not later than 5 years	-	17,077
	7,116	25,616

30. Related party transactions

The company has taken advantage of the exemptions available under FRS 102 not to disclose balances and transactions with other wholly owned group undertakings.

During the year the group company bf1systems Limited traded with BF Systems Manufacturing S.R.L. BF Systems Manufacturing S.R.L is a subsidiary of bf1 Systems Limited, incorporated in Romania, that is not wholly owned under the definitions of FRS 102. bf1systems Limited had sales of £6,132 (2019: £8,750) and purchased goods of £363,646 (2019: £107,494) to/from its subsidiary undertaking.

bf1systems Limited subscribed for further shares in BF Systems Manufacturing S.R.L in period. The issue cost was £200,000.

At the year end bf1systems Limited owed £85,211 (2019: was owed £183,190) to/from BF Systems Manufacturing S.R.L.

During the year an arrangement fee of £48,000 (2019: £nil) and management charges of £11,347 (2019: £nil) were charged by BGF Investments Limited, a company under common control of BGF Group LP. BGF Group LP has significant influence over the group by way of its shareholding in BF1 Solutions Limited.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

31. Post balance sheet events

Subsequent to the year end the impact of the Covid-19 pandemic became significant with lockdown in the UK in March 2020. The directors consider the event to be non-adjusting, and in any event do not believe the event would have created any material impact on the balance sheet at the year end. Further information on the group's response to the economic challenges presented by the pandemic is included in note 2.3 and the Strategic Report.

32. Controlling party

The company has no ultimate controlling party.