

Registered number: 11377708

BF1 SOLUTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2021



BF1 SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	M D Norton G Peel J R Shingleton J C Welham A D Robson M P Simcox (appointed 3 November 2020)
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

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BF1 SOLUTIONS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2021

The directors present their Strategic Report for the year ended 31 January 2021.

Business review and future outlook

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.

The results for the year ended 31 January 2021 show that the group recorded turnover of £7,945,259 (2020: £12,730,443) representing a 37.6% decrease on 2020. Gross profit margins decreased to 29.2% (2020: 38.6%).

There was a decrease in operating profits to a loss of £328,713 (2020: profit of £1,492,790).

In common with most businesses in the UK and global economy, the results were impacted by the challenges presented by the Covid-19 pandemic and the group had to respond accordingly. Turnover decreased in the period reflecting the reduced level of on track customer racing that took place due to Covid-19 over the year.

Following the virtualisation of the IT infrastructure the group was well placed to switch the majority of its support operations to home-based working. The group is closely monitoring the impact of the pandemic on its business and will take steps as required, should the continued economic recovery be slower than anticipated. The directors are still confident that the group is well placed operationally and financially to manage the challenges presented by the pandemic.

On 21 January 2021, bf1systems Limited acquired the entire share capital of KA Sensors Limited, a company incorporated in England. KA Sensors Limited are a specialist sensor manufacturing company based in Grantham, Lincolnshire providing a wide range of sensors to the motorsport industry. The acquisition aligns with the strategy to increase market share in core markets. The results of this subsidiary have been included in these financial statements from the date of acquisition and this company sits as a directly controlled subsidiary of bf1systems Limited.

Overall, the future focus of the 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.

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. The KPIs for the period ended 31 January 2021 are as follows:

	2021	2020
Turnover (£)	7,945,259	12,730,443
Gross profit margin (%)	29.2	38.6
Operating profit margin (%)	(4.1)	11.7
Net profit margin (%)	(5.8)	10.8

As explained in the business review section, the results for the year were significantly impacted by the Covid-19 pandemic, which is reflected in the KPIs.

BF1 SOLUTIONS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2021

Principal risks and uncertainties

The group is subject to a number of risks and uncertainties. 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.

Due to the nature of the markets in which the group operates, products are subject to technological advances and, as a result, obsolescence. The group is committed to continuing to invest in research and development and are confident that they are well placed to react effectively to future developments within the market.

The markets in which the group operates are highly competitive. Constant price monitoring and on-going market analysis are in place to mitigate this risk.

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.

Interest rate risk

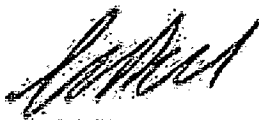
The group receives interest on its cash deposits at a variable rate. The deposits are not considered significant enough to warrant hedging. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

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: 18 October 2021



BF1 SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2021

The directors present their report and the financial statements for the year ended 31 January 2021.

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 loss for the year, after taxation and minority interests, amounted to £183,612 (2020 - profit £1,835,581).

Dividends were paid during the year of £656,817 (2020: £327,618).

Directors

The directors who served during the year were:

M D Norton
G Peel
J R Shingleton
J C Welham
H A Costello (resigned 3 November 2020)
A D Robson
M P Simcox (appointed 3 November 2020)

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.

BF1 SOLUTIONS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2021**

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.

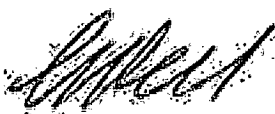
Post balance sheet events

There were no significant events after the balance sheet date.

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: 18 October 2021

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 2021, 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 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

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

BF1 SOLUTIONS LIMITED

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

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.

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.

BF1 SOLUTIONS LIMITED

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

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 Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Due to the field in which the Group operates, we identified the areas most likely to have a direct material impact on the financial statements as compliance with UK tax legislation, UK accounting standards and the Companies Act 2006. In addition, we considered the provisions of other laws and regulations which whilst not having a direct impact on the financial statements, are fundamental to the Group's ability to operate including health and safety, employment law, and compliance with various other regulations relevant to the conduct of the Group's operations.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations, accidents in the workplace, potential litigation or claims and fraud;
- Reviewing legal fees to confirm matters where the Group engaged lawyers during the year;
- Reviewing financial statement disclosures and tax matters, and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing board minutes and any relevant correspondence with external authorities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly around year end stock values;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of any significant transactions outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

BF1 SOLUTIONS LIMITED

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

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, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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, as a body, for our audit work, for this report, or for the opinions we have formed.

Larking Gowen LLP

Anders Rasmussen (Senior Statutory Auditor)

for and on behalf of
Larking Gowen LLP

Chartered Accountants
Statutory Auditors

Norwich

18 October 2021

BF1 SOLUTIONS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2021**

	Note	2021 £	2020 £
Turnover	4	7,945,259	12,730,443
Cost of sales		(5,628,897)	(7,813,031)
Gross profit		2,316,362	4,917,412
Administrative expenses		(2,878,337)	(3,426,198)
Other operating income	5	233,262	1,576
Operating (loss)/profit	6	(328,713)	1,492,790
Interest receivable and similar income	10	16,021	2,288
Interest payable and similar expenses	11	(151,617)	(119,276)
(Loss)/profit before taxation		(464,309)	1,375,802
Tax on (loss)/profit	12	280,685	460,349
(Loss)/profit for the financial year		(183,624)	1,836,151
Currency translation differences		5,011	(10,225)
Other comprehensive income for the year		5,011	(10,225)
Total comprehensive income for the year		(178,613)	1,825,926
(Loss)/profit for the year attributable to:			
Non-controlling interests		(12)	570
Owners of the parent Company		(183,612)	1,835,581
		(183,624)	1,836,151

The notes on pages 18 to 44 form part of these financial statements.

BF1 SOLUTIONS LIMITED
REGISTERED NUMBER: 11377708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2021

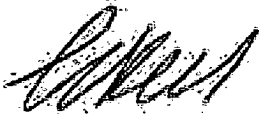
	Note	2021 £	2020 £
Fixed assets			
Intangible assets	14	294,696	259,257
Tangible assets	15	1,415,318	1,477,313
		<u>1,710,014</u>	<u>1,736,570</u>
Current assets			
Stocks	17	1,315,048	1,158,891
Debtors: amounts falling due within one year	18	1,986,499	1,882,113
Cash at bank and in hand	19	2,687,731	2,458,591
		<u>5,989,278</u>	<u>5,499,595</u>
Creditors: amounts falling due within one year	20	(2,969,101)	(3,233,719)
Net current assets		<u>3,020,177</u>	<u>2,265,876</u>
Total assets less current liabilities		<u>4,730,191</u>	<u>4,002,446</u>
Creditors: amounts falling due after more than one year	21	(1,894,461)	(1,000,647)
Provisions for liabilities			
Deferred taxation	25	(85,133)	(69,679)
Other provisions	26	(125,221)	(125,221)
		<u>(210,354)</u>	<u>(194,900)</u>
Net assets		<u><u>2,625,376</u></u>	<u><u>2,806,899</u></u>
Capital and reserves			
Called up share capital	27	708	708
Share premium account	28	44,498	44,498
Other reserves	28	(376,543)	(983,758)
Merger reserve	28	1,999,171	1,999,171
Profit and loss account	28	957,450	1,746,176
Non-controlling interests		92	104
		<u><u>2,625,376</u></u>	<u><u>2,806,899</u></u>

BF1 SOLUTIONS LIMITED
REGISTERED NUMBER: 11377708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 JANUARY 2021

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

G. Pool
Director



Date: 18 October 2021

The notes on pages 18 to 44 form part of these financial statements.

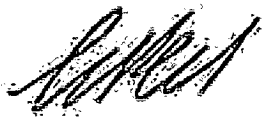
BF1 SOLUTIONS LIMITED
REGISTERED NUMBER: 11377708

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	16	2,899,413	2,899,413
Creditors: amounts falling due within one year	20	(814,474)	(1,209,273)
Net current liabilities		(814,474)	(1,209,273)
Total assets less current liabilities		2,084,939	1,690,140
Creditors: amounts falling due after more than one year	21	(300,892)	(595,178)
Net assets		1,784,047	1,094,962
Capital and reserves			
Called up share capital	27	708	708
Share premium account	28	44,498	44,498
Other reserves	28	(376,543)	(983,758)
Merger reserve	28	1,999,171	1,999,171
Profit and loss account brought forward		34,343	-
Profit for the year		691,995	361,961
Dividends		(610,125)	(327,618)
Profit and loss account carried forward		116,213	34,343
		1,784,047	1,094,962

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

G. Peel
Director



Date: 18 October 2021

The notes on pages 18 to 44 form part of these financial statements.

BF1 SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2021

	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
	£	£	£	£	£	£	£	£
At 1 February 2019	700	-	-	1,999,171	248,438	2,248,309	(466)	2,247,843
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	8	44,498	-	-	-	44,506	-	44,506
Compound instrument: Liability establishment	-	-	(983,758)	-	-	(983,758)	-	(983,758)
At 1 February 2020	708	44,498	(983,758)	1,999,171	1,746,176	2,806,795	104	2,806,899
Loss for the year	-	-	-	-	(183,612)	(183,612)	(12)	(183,624)
Currency translation differences	-	-	-	-	5,011	5,011	-	5,011
Dividends: Equity capital	-	-	-	-	(656,817)	(656,817)	-	(656,817)
Compound instrument: finance charge	-	-	(46,692)	-	46,692	-	-	-
Compound instrument: liability repayment	-	-	653,907	-	-	653,907	-	653,907
At 31 January 2021	708	44,498	(376,543)	1,999,171	957,450	2,625,284	92	2,625,376

BF1 SOLUTIONS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2021

	Called up share capital £	Share premium account £	Other reserves £	Merger reserve £	Profit and loss account £	Total equity £
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	8	44,498	-	-	-	44,506
Compound instrument: Liability establishment	-	-	(983,758)	-	-	(983,758)
At 1 February 2020	708	44,498	(983,758)	1,999,171	34,343	1,094,962
Comprehensive income for the year						
Profit for the year	-	-	-	-	691,995	691,995
Dividends: Equity capital	-	-	-	-	(656,817)	(656,817)
Compound instrument: finance charge	-	-	(46,692)	-	46,692	-
Compound instrument: liability repayment	-	-	653,907	-	-	653,907
At 31 January 2021	708	44,498	(376,543)	1,999,171	116,213	1,784,047

BF1 SOLUTIONS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JANUARY 2021**

	2021 £	2020 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(183,624)	1,836,151
Adjustments for:		
Amortisation of intangible assets	74,076	74,195
Depreciation of tangible assets	232,468	210,820
Loss on disposal of tangible assets	(39,150)	-
Foreign exchange difference	5,011	(9,459)
Interest paid	151,617	119,276
Interest received	(16,021)	(2,288)
Taxation charge	(280,685)	(460,349)
Decrease in stocks	127,182	419,184
Decrease in debtors	321,766	567,356
(Decrease) in creditors	(883,628)	(171,457)
Corporation tax received	115,609	190,034
Net cash generated from operating activities	(375,379)	2,773,463
Cash flows from investing activities		
Purchase of tangible fixed assets	(132,015)	(251,858)
Sale of tangible fixed assets	90,025	-
Interest received	16,021	2,288
HP interest paid	(2,236)	(7,735)
Net cash acquired with acquisition	9,661	-
Net cash from investing activities	(18,544)	(257,305)
Cash flows from financing activities		
Issue of ordinary shares	-	44,506
New secured loans	1,596,312	-
Repayment of loans	-	(23,093)
Repayment of other loans	(194,223)	(225,000)
Repayment of/new finance leases	(19,520)	(14,078)
Dividends paid	(610,125)	(327,618)
Interest paid	(149,381)	(36,062)
Net cash used in financing activities	623,063	(581,345)
Net increase in cash and cash equivalents	229,140	1,934,813
Cash and cash equivalents at beginning of year	2,458,591	523,778

BF1 SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2021

	2021 £	2020 £
Cash and cash equivalents at the end of year	<u>2,687,731</u>	<u>2,458,591</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,687,731</u>	<u>2,458,591</u>
	<u>2,687,731</u>	<u>2,458,591</u>

The notes on pages 18 to 44 form part of these financial statements.

BF1 SOLUTIONS LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 JANUARY 2021**

	At 1 February 2020 £	Cash flows £	Acquisition and disposal of subsidiaries £	New finance leases £	At 31 January 2021 £
Cash at bank and in hand	2,458,591	219,479	9,661	-	2,687,731
Debt due after 1 year	(214,773)	(2,035,955)	-	-	(2,250,728)
Debt due within 1 year	(849,664)	633,866	-	-	(215,798)
Finance leases	(29,989)	19,520	-	(69,630)	(80,099)
	<u>1,364,165</u>	<u>(1,163,090)</u>	<u>9,661</u>	<u>(69,630)</u>	<u>141,106</u>

The notes on pages 18 to 44 form part of these financial statements.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

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.

2.3 Going concern

The directors have considered the Company's and Group's position at the time of signing the financial statements.

The 2021 financial year was inevitably impacted by the Covid-19 pandemic, however the start of the 2022 financial year has been encouraging, as is the order book. The directors anticipate a growth in revenue in 2022 and 2023 to a level comparable, or exceeding, that achieved pre-pandemic.

The directors have prepared detailed forecasts through to January 2023. Based on relatively cautious sales expectations, these show that the company and group is profitable and has sufficient cash headroom for the period.

The directors have concluded that the Company 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 2021

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.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

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 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.10 Interest income

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

2.11 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.

2.12 Borrowing costs

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

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.13 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.

2.14 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.

2.15 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.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.16 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.

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.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 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.

2.19 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.

2.20 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.

BF1 SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.21 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.

2.22 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.

2.23 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.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

2. Accounting policies (continued)**2.23 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.

2.24 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.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

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:

Stock provision

Management considers whether it is necessary to review the recoverability of stock and the associated provision required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated useability and saleability.

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 20 and 30, 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 2021**

4. Turnover

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

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	2,090,794	4,184,410
Rest of Europe	4,787,774	7,137,645
Rest of the world	1,066,691	1,408,388
	<u>7,945,259</u>	<u>12,730,443</u>

5. Other operating income

	2021 £	2020 £
Other operating income	81,800	1,576
Government grants receivable (CJRS)	151,462	-
	<u>233,262</u>	<u>1,576</u>

Other operating income comprises £56,800 for the value of the CBILS loan interest paid by Government, as described in note 21, and a £25,000 Covid-19 related grant from the Local Authority.

Coronavirus Job Retention Scheme ("CJRS") grants represent income received from Government to cover some of the costs of employing certain members of staff placed on furlough leave, in response to the Covid-19 pandemic.

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Depreciation on owned assets	212,275	183,104
Depreciation on assets held under finance leases	20,193	28,482
Exchange differences	(35,744)	48,258
Other operating lease rentals	13,168	23,583
Amortisation on goodwill	74,096	74,195
	<u>283,988</u>	<u>367,622</u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

7. Auditors' remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	4,500	3,000
Fees payable to the Group's auditor and its associates in respect of:		
Audit of the financial statements of subsidiaries	15,000	15,000
Taxation compliance services	3,750	3,750
All other services	2,750	-
	21,500	18,750

8. Employees

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	3,346,969	3,752,907	-	-
Social security costs	323,202	342,895	-	-
Cost of defined contribution scheme	167,083	185,462	-	-
	3,837,254	4,281,264	-	-

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

	2021 No.	2020 No.
Production	69	90
Administration	23	26
	92	116

The Company has no employees other than the directors, who did not receive any remuneration (2020 - £NIL)

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	571,947	554,361
Company contributions to defined contribution pension schemes	34,385	33,022
	<u>606,332</u>	<u>587,383</u>

During the year retirement benefits were accruing to 3 directors (2020 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £193,194 (2020 - £156,130).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2020 - £NIL).

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

10. Interest receivable

	2021 £	2020 £
Other interest receivable	16,021	2,288
	<u>16,021</u>	<u>2,288</u>

11. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	10,164	1,075
Other interest payable	122,568	91,856
Mortgage interest payable	16,649	18,610
Finance leases and hire purchase contracts	2,236	7,735
	<u>151,617</u>	<u>119,276</u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

12. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	(264,154)	(81,639)
Adjustments in respect of previous periods	(33,984)	(394,414)
	<u>(298,138)</u>	<u>(476,053)</u>
Total current tax	<u><u>(298,138)</u></u>	<u><u>(476,053)</u></u>
Deferred tax		
Origination and reversal of timing differences	17,453	13,520
Adjustments in respects of previous periods	-	2,184
Total deferred tax	<u><u>17,453</u></u>	<u><u>15,704</u></u>
Taxation on loss on ordinary activities	<u><u>(280,685)</u></u>	<u><u>(460,349)</u></u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

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

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit on ordinary activities before tax	<u>(464,309)</u>	<u>1,375,802</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(88,219)	261,402
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	14,078	14,097
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	26,117	64,657
Adjustments to tax charge in respect of prior periods	(33,984)	(392,230)
Other differences leading to an increase (decrease) in taxation	22,592	(7,118)
Research and development deduction leading to a (decrease) in the tax charge	<u>(221,269)</u>	<u>(401,157)</u>
Total tax charge for the year	<u>(280,685)</u>	<u>(460,349)</u>

Factors that may affect future tax charges

Legislation to increase the main rate of corporation tax from 19% to 25% with effect from 1 April 2023 was included in the Finance Bill 2021. The Bill was substantially enacted on 24 May 2021. As this occurred after the period end, deferred tax has been provided for at 19% in the financial statements.

13. Dividends

	2021 £	2020 £
Dividends paid on ordinary shares	-	300,000
Dividends paid on A ordinary shares	656,817	27,618
	<u>656,817</u>	<u>327,618</u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

14. Intangible assets**Group**

	Goodwill £
Cost	
At 1 February 2020	370,502
Additions	109,515
At 31 January 2021	<u>480,017</u>
Amortisation	
At 1 February 2020	111,245
Charge for the year on owned assets	74,076
At 31 January 2021	<u>185,321</u>
Net book value	
At 31 January 2021	<u><u>294,696</u></u>
At 31 January 2020	<u><u>259,257</u></u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

15. Tangible fixed assets

Group

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 February 2020	847,021	93,386	842,771	-	-	1,783,178
Additions	-	-	201,645	-	-	201,645
Acquisition of subsidiary	-	-	-	16,649	3,054	19,703
Disposals	-	(93,386)	(4,937)	-	-	(98,323)
At 31 January 2021	847,021	-	1,039,479	16,649	3,054	1,906,203
Depreciation						
At 1 February 2020	40,110	23,468	242,287	-	-	305,865
Charge for the year on owned assets	20,004	9,815	202,201	390	58	232,468
Disposals	-	(33,283)	(14,165)	-	-	(47,448)
At 31 January 2021	60,114	-	430,323	390	58	490,885
Net book value						
At 31 January 2021	786,907	-	609,156	16,259	2,996	1,415,318
At 31 January 2020	806,911	69,918	600,484	-	-	1,477,313

The net book value of plant and machinery includes £83,110 (2020: £48,635) held under finance leases or hire purchase contracts.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

16. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 February 2020	2,899,413
At 31 January 2021	<u>2,899,413</u>

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%
KA Sensors Limited****	Same as company	Ordinary	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 2021**

17. Stocks

	Group 2021 £	Group 2020 £
Raw materials and consumables	1,257,149	1,087,241
Work in progress (goods to be sold)	57,899	71,650
	<u>1,315,048</u>	<u>1,158,891</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 £418,162 (2020 - £204,951). An impairment totalling £213,211 (2020 - reversal of £73,802) is recognised in profit and loss.

18. Debtors

	Group 2021 £	Group 2020 £
Trade debtors	1,452,055	1,640,784
Other debtors	78,030	41,334
Prepayments and accrued income	181,412	107,522
Tax recoverable	275,002	92,473
	<u>1,986,499</u>	<u>1,882,113</u>

19. Cash and cash equivalents

	Group 2021 £	Group 2020 £
Cash at bank and in hand	2,687,731	2,458,591
	<u>2,687,731</u>	<u>2,458,591</u>

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

20. Creditors: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	884,061	654,416	-	-
Other loans	215,798	195,248	215,798	195,248
Payments received on account	358,741	-	-	-
Trade creditors	820,089	846,071	-	-
Amounts owed to group undertakings	-	-	523,025	410,672
Other taxation and social security	117,219	99,040	-	-
Obligations under finance lease and hire purchase contracts	26,751	17,990	-	-
Other creditors	114,223	872,528	75,651	603,353
Accruals and deferred income	432,219	548,426	-	-
	2,969,101	3,233,719	814,474	1,209,273

The A ordinary shares described in note 27 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 £376,543 (2020: £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 £75,651 (2020: £603,353) falling due within one year and £300,892 (2020: £380,405) falling due after more than one year.

BF1 SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

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

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Bank loans	1,366,667	-	-	-
Other loans	-	214,773	-	214,773
Net obligations under finance leases and hire purchase contracts	53,348	11,999	-	-
Other creditors	474,446	773,875	300,892	380,405
	<u>1,894,461</u>	<u>1,000,647</u>	<u>300,892</u>	<u>595,178</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 is 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 £30,777 (2020: £75,479).

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22. Loans

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due within one year				
Bank loans	884,061	654,416	-	-
Other loans	215,798	195,248	215,798	195,248
	<u>1,099,859</u>	<u>849,664</u>	<u>215,798</u>	<u>195,248</u>
Amounts falling due 1-2 years				
Bank loans	400,000	-	-	-
Other loans	-	214,773	-	214,773
	<u>400,000</u>	<u>214,773</u>	<u>-</u>	<u>214,773</u>
Amounts falling due 2-5 years				
Bank loans	966,667	-	-	-
	<u>2,466,526</u>	<u>1,064,437</u>	<u>215,798</u>	<u>410,021</u>

The bank loans relate to a property mortgage and a CBILS loan.

The mortgage is repayable in 60 installments of £3,475 with a final lump sum payment due on maturity 60 months after drawdown. A 12 month capital repayment holiday for the bank loan was secured from the end of April 2020. Interest is payable at 2.3% above the published base rate of National Westminster Bank Plc.

The CBILS loan was granted in the period with a 12 month capital payment holiday, where the interest is paid by Government. The loan is then repayable over a 48 month period with capital repayments of £33,333 monthly. Interest is charged at 2.62% above the published base rate of the National Westminster Bank Plc for the duration of the loan. The loans are secured by a legal charge over the freehold property.

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23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2021 £	<i>Group 2020 £</i>
Within one year	32,769	19,477
Between 1-5 years	60,570	13,023
Less: Interest charge	(13,240)	(2,511)
	<u>80,099</u>	<u>29,989</u>

24. Financial instruments

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Financial liabilities measured at fair value through profit or loss	<u>215,798</u>	<u>410,021</u>	<u>215,798</u>	<u>410,021</u>

Financial liabilities measured at fair value through profit and loss comprise loan notes issued in 2018 as detailed in note 21.

25. Deferred taxation

Group

	2021 £
At beginning of year	(69,679)
Charged to profit or loss	(15,454)
At end of year	<u>(85,133)</u>

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25. Deferred taxation (continued)

	Group 2021 £	Group 2020 £
Accelerated capital allowances	(101,453)	(77,436)
Tax losses carried forward	8,118	2,395
Other timing differences	8,202	5,362
	(85,133)	(69,679)

26. Provisions**Group**

	Warranty provision £
At 1 February 2020	125,221
At 31 January 2021	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.

27. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
50,908 (2020 - 50,908) ordinary shares of £0.01 each	509	509
19,092 (2020 - 19,092) A ordinary shares of £0.01 each	191	191
354 (2020 - 354) B ordinary shares of £0.01 each	4	4
353 (2020 - 353) growth shares of £0.01 each	4	4
	708	708

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27. Share capital (continued)

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 20, 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.

28. 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.

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29. Business combinations

On 21 January 2021 the entire share capital of KA Sensors Limited was acquired by the bf1systems Limited.

The acquisition has been accounted for under the acquisition accounting method of FRS 102 whereby the underlying net assets of the company was acquired at fair value. The excess of cash paid over and above the fair value of the net assets acquired has generated goodwill.

Acquisition of KA Sensors Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustment £	Fair value £
Tangible	19,703	-	19,703
	<u>19,703</u>	<u>-</u>	<u>19,703</u>
Stocks	283,339	-	283,339
Debtors	249,248	-	249,248
Cash at bank and in hand	64,649	-	64,649
Total assets	<u>616,939</u>	<u>-</u>	<u>616,939</u>
Due within one year	(479,835)	-	(479,835)
Deferred tax	(3,626)	-	(3,626)
Total identifiable net assets	<u>133,478</u>	<u>-</u>	<u>133,478</u>
Goodwill			109,515
Total purchase consideration			<u>242,993</u>
Consideration			
			£
Cash			54,988
Contingent consideration			173,555
Directly attributable costs			14,450
Total purchase consideration			<u>242,993</u>

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29. Business combinations (continued)
Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	54,988
	<u>54,988</u>
Less: Cash and cash equivalents acquired	(64,649)
	<u>(9,661)</u>
Net cash outflow on acquisition	<u>(9,661)</u>

The goodwill arising on acquisition is attributable to customer relationships and sector knowledge and expertise. It is considered to have a useful life of 5 years.

The results of KA Sensors Limited since its acquisition are as follows:

	Current period since acquisition £
Turnover	41,222
	<u>41,222</u>
Profit for the period	30,759
	<u>30,759</u>

30. 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 2021 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.

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31. 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 £167,083 (2020: £185,462). Contributions totalling £19,150 (2020: £38,803) 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.

32. Commitments under operating leases

At 31 January 2021 the group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Land and buildings		
Not later than 1 year	23,833	27,500
Later than 1 year and not later than 5 years	12,019	45,833
	35,852	73,333
	Group 2021 £	Group 2020 £
Other		
Not later than 1 year	27,856	7,116
Later than 1 year and not later than 5 years	11,607	-
	39,463	7,116

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

33. 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 raised sales credits of £3,662 (2020: £6,132) and purchased goods of £256,444 (2020: £363,646) to/from its subsidiary undertaking.

At the year end bf1systems Limited owed £13,242 (2020: £85,211) from BF Systems Manufacturing S.R.L.

During the year an arrangement fee of £Nil (2020: £48,000) and management charges of £50,012 (2020: £11,347) 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.

During the year the group paid management charges of £30,131 (2020: £NIL) to Deben Management Limited, a company under the control of one of the directors.

34. Controlling party

The company has no ultimate controlling party.