

Blatchford Products Limited

Blatchford Products Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2020

Company Registration No.04395856



Blatchford Products Limited

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Blatchford Products Limited

DIRECTORS AND OFFICERS

COMPANY REGISTRATION NUMBER: 04395856

DIRECTORS	P G Roberts A R Hollyhead Z A Stephens-Truman
REGISTERED OFFICE	Lister Road Basingstoke Hampshire RG22 4AH
SOLICITOR	Stevens & Bolton LLP Wey House Farnham Road Guildford Surrey GU1 4XS
PATENT ATTORNEY (UK)	Withers & Rogers LLP 4 More London Riverside London SE1 2AU
PATENT ATTORNEY (US)	Alston & Bird LLP Bank of America Plaza 101 South Tryon Street Suite 4000 Charlotte North Carolina 28280-4000
INDEPENDENT AUDITOR	Deloitte LLP Statutory Auditor Mountbatten House 1 Grosvenor Square Southampton SO15 2BZ United Kingdom
BANKER	HSBC UK Bank plc 2 nd Floor HSBC House Mitchell Way Southampton SO18 2XU

Blatchford Products Limited

STRATEGIC REPORT

STRATEGIC REPORT

The Directors present their Strategic Report for Blatchford Products Limited (the “Company”) for the year ended 31 March 2020.

The Company is incorporated in England and Wales and is limited by shares.

The Directors, in preparing this report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the development and manufacture of artificial limb components.

There have not been any significant changes in the nature of the Company’s activities during the year.

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS

2020 v 2019 performance

The Company recorded a profit before tax of £857,000 in 2019/20 (2018/19: £2,076,000).

Overall, Company revenues decreased by 11.7% in the year, primarily from a reduction in sales to North America and to export markets.

Lower sales was the overriding factor affecting profit in the year, with gross margin decreasing in the year to 30.9% (2018/19: 37.3%).

Despite the reduction in sales, cash inflows generated from operations were £2,530,000 (2018/19: inflow of £4,205,000) following a stabilisation of our working capital position after the previous years’ improvements.

A key business metric for measuring performance is EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and this metric was £2,907,000 in year to 31 March 2020 (year ended 31 March 2019: £3,624,000).

The key performance indicators of the company are revenue, gross margin, profit before tax, cash flows generated from operations and EBITDA, which are disclosed above.

2019/20 performance – key themes

1) Continued R&D investment

The Company spent £2,666,000 in the year on research and development (2018/19: £2,333,000) of which £1,518,000 (2018/19: £847,000) was capitalised, and £117,000 (2018/19: £206,000) was spent on protecting intellectual property through expenditure on patents.

The Company’s priority continues to be in addressing one of its main threats, namely the recruitment and retention of skilled designers, engineers and scientists. This is an ongoing challenge for many companies in the UK and represents one of the risks to the future growth of the business.

Blatchford Products Limited

STRATEGIC REPORT

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS (continued)

2) Revenue decline

Company revenue decreased by 11.7% in 2019/20 to £23,250,000 in the year ended 31 March 2020, thanks in the most part due to a decrease in sales in our US and Export markets, which is explained below.

Review of key markets

Sales to the North America market decreased by 13.3% during the year due to a major reorganisation of our sales team which is now realising the expected benefits of these changes. A new Vice President Sales and Marketing – North America was appointed by our US business in June 2020 to generate new sales opportunities in the North America market. The PDAC-Medicare Contractor for Pricing in the USA announced a comprehensive review of a wide range of Prosthetic products in 2020 and we are confident that we are well placed to gain market share.

In the UK, product revenues during the year were affected by the loss of the Leicester Rehabilitation NHS contract which ended on 26 October 2018. The effects of the loss of this contract was offset by the gain of the Birmingham Prosthetic, Staffordshire & Stoke-on-Trent Prosthetic and Wolverhampton Prosthetic NHS contracts, which all started on 1 April 2019.

In Export markets, the Company has seen a sales decrease compared to prior periods. This has partially been driven by delays in the continuation of large tenders and also short term reimbursement challenges in certain countries, offset by an uplift in export sales to other countries such as China. A major review of our distributors and routes to market in major territories is expected to improve performance in these regions.

As the UK only went into lock-down from 23 March 2020, the results for the year ended 31 March 2020 have not been impacted by Covid-19. Post year end, during the lock-down period, the Company saw some reductions in activities, which were partially mitigated by furloughing staff through the Job Retention Scheme.

We do not expect Brexit related issues to have a significant impact on our EU markets as our products are excluded from any anticipated tariffs on the basis of being medical devices (under WTO terms our products are tariff free) and we are confident our supply chain counter measures to any disruption to traffic at borders will allow us to ensure uninterrupted supply to our EU customers from the Group's distribution centre in Germany.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

1) **The Company's reliance on the UK market and UK market changes**

The Company is very reliant on both its UK home market and its biggest market in the US.

The Company expects its home market to remain challenging but for sales in the US to grow. It still believes that it can grow more strongly in other export markets than in the UK and US combined and therefore over time reduce its overall reliance on these two markets.

2) **Other risks**

Skills base

As the Company grows further, particularly in its ability to continue to lead the market in terms of innovation, it is increasingly faced with the challenge of finding staff with the skills it needs particularly in engineering and design. This will continue to be an area of focus going forwards.

Following Brexit, we are expecting the impact of recruiting skilled engineering and design staff to become a more difficult task in the UK in the short-term. Our expectation is that staff from within the EU in our existing staff base will remain with the Company after the Brexit transitional arrangements ends on 1 January 2021.

The Company is putting in place plans to ensure that it develops in-house, as far as possible, the skills it needs to support the business through apprenticeships and other initiatives. It has also continued to work on internal leadership and communication programmes to ensure its retention rates are above average for its sector.

Blatchford Products Limited

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY (continued)

2) Other risks (continued)

Currency risk

Up until 20 March 2018, the Company was a wholly-owned subsidiary of Chas. A. Blatchford & Sons Limited which undertakes all currency risk management activities for the Blatchford Group.

The subsequent demerger on 20 March 2018 and sale of the Company to Stevton (No. 664) Limited on 3 April 2018 did not alter the currency risk management structure of the Company as the cross guarantees for all group borrowings remained in place for those entities under the common control of B S Blatchford. Post the sale of Stevton (No.664) Limited and Chas. A. Blatchford and Sons Limited to Evolution Bidco Limited on 21 November 2018, Chas. A. Blatchford and Sons Limited was once again back in the same legal group as the Company and continued its role in undertaking all currency risk management activities for the Group for the 12 months ended 31 March 2019.

For the year ending 31 March 2020, the Group has made the decision to transfer the currency risk management activities of the Group from Chas. A. Blatchford & Sons Limited to Blatchford Products Limited. The Group continues to hedge its trading flows in Euros and US dollars through the use of participating forward exchange contracts and looks to cover 75% of its exposure in this way. The Euro and US Dollar forward exchange contracts were taken out on 29 March 2019 for the next 12 month period.

Credit risk

The Company has strict internal controls over the granting and monitoring of credit and does not believe it is unduly exposed to credit risk.

In most markets into which the Company sells products its customers are ultimately paid by a state-funded reimbursement system or an insurance-backed reimbursement system. Whilst this does not guarantee that a customer will not run into financial difficulty the fact that the ultimate payer is an insurer or a government reduces the credit risk all the way down the line from the end customer to the product suppliers and manufacturers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company holds cash on hand. The Company is profitable, cash generative and has a strong balance sheet. The Company also has access to borrowings via its group associate undertaking, Evolution Bidco Limited.

Brexit

In 2016, the Group identified the UK's decision to leave the European Union and the risk of changes to the UK's customs procedures as having a minor impact on our ability to source raw materials from within the European Union and to ship products to customers within the European Union. As the UK Government continues its negotiations, uncertainty remains as to the extent to which our operations and financial performance will be affected in the longer term. As a Group, we have continued to prepare for changes in legislation, trade agreements and working practices in order to take advantage of the changing commercial landscape and to mitigate risk.

For further information on how Brexit affects the Blatchford Group, please see the consolidated accounts of the ultimate parent company as disclosed in note 28 to these financial statements.

Blatchford Products Limited

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY (continued)

2) Other risks (continued)

Covid-19

The Covid-19 outbreak has the potential to cause significant disruption to the UK economy and, while the financial impact of the Company is difficult to quantify, several scenarios have been examined in respect of the financial impact of the Covid-19 outbreak on the businesses. During the lock-down period the Company saw some reductions in activities, which were mitigated by furloughing staff through Job Retention Scheme. By utilising the Government's Job Retention Scheme, we are able to furlough workers and still safeguard their jobs until such time that the Covid-19 no longer posed a threat on the health of employees and we are able to return to normal.

For further information on how Covid-19 affects the Blatchford Group, please see the consolidated accounts of the ultimate parent company as disclosed in note 28 to these financial statements.

Complex supplier arrangements

Fees, contributions, discounts, multiple offers and volume rebates (collectively referred to as "complex supplier arrangements") are not features of supplier contracts within the company.

POST BALANCE SHEET EVENTS

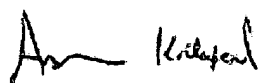
There are no post balance sheet events requiring adjustment in or disclosure for in the financial statements.

FUTURE DEVELOPMENTS & SUBSEQUENT EVENTS

Risks and challenges exist in a number of markets in which the Company operates, but on balance there are more positive opportunities than downside risks.

The Company is expected to continue with its business activities and operations as normal despite the sale to CBPE Capital LLP. The Company is expected to continue to remain profitable and has access to sufficient funding via its group associate undertaking, Evolution Bidco Limited, to continue trading for the foreseeable future.

The Strategic Report has been approved by the Board of Directors and signed on behalf of the Board by:



A R Hollyhead
Director

14 December 2020

Lister Road
Basingstoke
Hampshire RG22 4AH

Blatchford Products Limited

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 March 2020.

As permitted by section 414C (11) of the Companies Act 2006, we have commented in detail in the Strategic Report on the following matters that form part of this report by cross-reference:

- *Research and development*
- *Financial risk management objectives and policies*
- *Future developments*
- *Brexit*
- *Covid-19*

Future developments and events after the balance sheet date

Details of future developments are given in the Future developments section of the Strategic Report. There are no known reportable events after the balance sheet date.

Research and development

The Company continues to place huge importance on the development of new technologies and products and increased its annual investment to £2,666,000 in the year ended 31 March 2020 from £2,333,000 in the year ended 31 March 2019.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report, on the basis that the Company is profitable, cash generative, and has a strong balance sheet. Thus, they continue to adopt the Going Concern basis in preparing the annual financial statements.

Covid-19 is not expected to have a significant impact on the Company. The Directors have determined that there is no material uncertainty that casts doubt on the Company's ability to continue as a going concern.

For further information on how Covid-19 affects the Blatchford Group, please see the consolidated accounts of the ultimate parent company as disclosed in note 28 to these financial statements.

Financial risk management objectives and policies

The Company's approach to the management of financial risks is explained in detail in the Strategic Report.

Dividends

No dividends were paid or proposed during the current or prior year. There were no dividends proposed after the balance sheet date.

Blatchford Products Limited

DIRECTORS' REPORT

Directors

The Directors, who served throughout the year and up to the date of signing except as noted, were as follows:

- Z A Stephens-Truman
- A R Hollyhead (appointed 2 December 2019)
- S Downey (resigned 17 May 2019)
- A Stenson (resigned 18 December 2019)
- P G Roberts (appointed 31 August 2020)
- Professor M S Zahedi (resigned 31 August 2020)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, which is also for the benefit of one or more Directors of any parent, subsidiary or fellow subsidiary. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year, Directors' and Officers' liability insurance in respect of itself and its Directors.

Political contributions

No political contributions were made during the year or during the prior year.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Company continues to employ a number of amputees and disabled persons with other needs throughout its operations.

Employee consultation

The Blatchford Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company.

This is achieved through a number of means:

- a) Regular presentations and management briefings, which provide information on how the company is performing against our short and longer-term plans. All employees are able to access these presentations by either attending in person or watching the presentations online.
- b) Our CEO blog provides updates and access to our CEO and management team for all employees.
- c) Our internal social media communication, via Twitter and Facebook, has continued, with more employees engaging with our various sites and becoming more keen to share feedback and commentary from around the business.
- d) Our Employees Ideas Group, whereby employees engage with the group and provide suggestions for making the Company a great place to work.
- e) The Blatchford Group has an internal newsletter. Distributed twice a year, it has developed into a publication which truly reflects the contribution from all areas around the Group, signifying the increased relevance our international teams have to the delivery of our strategy.

Blatchford Products Limited

DIRECTORS' REPORT

We also continue to work on our areas of improvement as identified by the Investors in People assessment process and have been re-certified as a Gold standard organisation.

Climate change

Blatchford is committed to:

- a) The protection of the environment, the prevention of pollution and the improvement of company waste management performance relative to the waste hierarchy;
- b) Compliance with all applicable legal, regulatory and other requirements relating to our environmental aspects; and
- c) Continually improve its environmental management system to enhance environmental performance.

The Company operates an environmental management system (EMS) certified to BS EN ISO 14001 on a site specific basis, with senior management involvement throughout the management review process. The EMS drives the Company to focus on the following:

- Assessment and regular review of the Company's environmental impacts;
- Prevention of adverse environmental impacts occurring as a result of its activities;
- Minimisation of material usage and waste of energy; and
- The establishment and review of environmental objectives based upon the above activities.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 "Reduced Disclosure Framework"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

Blatchford Products Limited

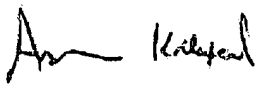
DIRECTORS' REPORT

- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



A R Hollyhead
Director

14 December 2020

Lister Road
Basingstoke
Hampshire
RG22 4AH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLATCHFORD PRODUCTS LIMITED

Independent auditor's report to the members of Blatchford Products Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Blatchford Products Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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 auditor's 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 respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLATCHFORD PRODUCTS LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions 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 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Claire Siviter FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Southampton, United Kingdom

14 December 2020

Blatchford Products Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2020

Company registration no. 04395856

		2020	2019
	Notes	£'000	£'000
Revenue	4	23,250	26,341
Cost of sales		(16,071)	(16,963)
Gross profit		7,179	9,378
Other operating income		145	149
Distribution costs		9	(175)
Administrative expenses		(3,048)	(2,612)
Other operating expenses		(3,420)	(4,661)
Operating profit	6, 7	865	2,079
Finance costs	11	(8)	(3)
Profit before tax		857	2,076
Tax	12	2	23
Profit for the financial year attributable to the owners of the Company		859	2,099

There was no other comprehensive income/expense for 2020 or 2019 other than the amounts included in the statement of changes in equity.

The accompanying accounting policies and notes form an integral part of these financial statements.

All transactions arose from continuing operations.

The notes on pages 15 to 40 are an integral part of these financial statements.

	2020	2019
	£'000	£'000
Operating profit as stated above	865	2,079
Adjust for:		
Depreciation (see note 6)	1,261	536
Amortisation of intangible assets (see note 6)	764	956
Exceptional items (see note 7)	17	53
Underlying EBITDA	2,907	3,624

Blatchford Products Limited

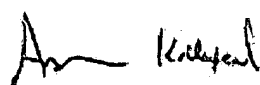
BALANCE SHEET

as at 31 March 2020

Company registration no. 04395856

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	13	5,432	4,526
Property, plant and equipment	14	1,396	1,285
Right of use assets	14	225	-
		<u>7,053</u>	<u>5,811</u>
Current assets			
Inventories	15	5,221	4,760
Trade and other receivables	16	3,508	3,854
Current tax asset		110	-
Cash and bank balances		6,588	7,332
		<u>15,427</u>	<u>15,946</u>
Total assets		<u>22,480</u>	<u>21,757</u>
Current liabilities			
Trade and other payables	17	(2,896)	(2,696)
Current tax liabilities		-	(120)
Lease liabilities	18	(190)	(63)
Provisions	19	(786)	(943)
Derivative financial instruments	5	-	(49)
		<u>(3,872)</u>	<u>(3,871)</u>
Net current assets		<u>11,555</u>	<u>12,075</u>
Non-current liabilities			
Lease liabilities	18	-	(32)
Long-term provisions	19	(2,064)	(2,236)
Deferred tax liabilities	20	(755)	(688)
		<u>(2,819)</u>	<u>(2,956)</u>
Total liabilities		<u>(6,691)</u>	<u>(6,827)</u>
Net assets		<u>15,789</u>	<u>14,930</u>
Equity			
Share capital	21	1	1
Retained earnings	22	15,788	14,929
Total equity		<u>15,789</u>	<u>14,930</u>

The financial statements of Blatchford Products Limited, registered number 04395856 on pages 12 to 40 were approved by the Board of Directors on 14 December 2020 and authorised for issue. They were signed on its behalf by:



Director: A R Hollyhead

The notes on pages 15 to 40 are an integral part of these financial statements.

Blatchford Products Limited
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2020

Company registration no. 04395856

	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 April 2018	1	12,830	12,831
Profit for the year	-	2,099	2,099
Total comprehensive income for the year	-	2,099	2,099
Balance as at 31 March 2019	1	14,929	14,930
Profit for the year	-	859	859
Total comprehensive income for the year	-	859	859
Balance as at 31 March 2020	1	15,788	15,789

The notes on pages 15 to 40 are an integral part of these financial statements.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

1. GENERAL INFORMATION

Blatchford Products Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The ultimate parent company is Blatchford Group Limited, a company incorporated in Jersey. The registered address of Blatchford Group Limited is 28 Esplanade, St Helier, Jersey, JE2 3QA (see note 28).

Blatchford Group Limited is the largest and smallest group into which the results of the company consolidated. Copies of the Group Accounts are available to the public and can be obtained from Registrar of Companies (England and Wales), Companies House, Crown Way, Cardiff, CF14 3UZ.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). Sterling is the Company's functional and the Company's presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006.

In preparing these financial statements, in the current year, the Company has undergone transition from EU-adopted IFRSs to FRS 101. The transition has had no material effect on the financial statements of the Company. The Company applies the recognition, measurement and disclosure requirements of International Reporting Standards as adopted by the EU ('Adopted IFRSs') but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- a) IFRS 7, 'Financial Instruments: Disclosure';
- b) Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information in respect of
 - a. Paragraph 79(a)(iv) of IAS 1;
- c) The requirements of paragraphs 10(d), 10(f), 38(a), 111 and 34-136 of IAS 1 'Presentation of Financial Statements';
- d) IAS 7, 'Statement of cash flows';
- e) Paragraph 30 and 31 of IAS 8 'Accounting policies', changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued, but not yet effective);
- f) The requirements of IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and
- g) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- h) IFRS 13, 'Fair Value Measurement'.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical estimates. It also requires management to exercise judgement in the process of applying Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 below.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net profit.

Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 *Leases*

In the current year, the Company has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 April 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards (continued)

(a) Impact of the new definition of a Lease (continued)

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- (a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 April 2019.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards (continued)

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i>	The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Annual Improvements to IFRS Standards 2015–2017 Cycle	<p>The Company has adopted the amendments included in the <i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> for the first time in the current year. The <i>Annual Improvements</i> include amendments to four Standards, two of which in respect of IFRS 3 and IFRS 11 are not applicable to the Company.</p> <p>IAS 12 <i>Income Taxes</i> The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.</p> <p>IAS 23 <i>Borrowing Costs</i> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p>
IFRIC 23 Uncertainty over Income Tax Treatments	<p>The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:</p> <ul style="list-style-type: none"> determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: <ul style="list-style-type: none"> If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. <p>If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.</p>

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where relevant, equivalent disclosures have been given in the consolidated accounts of Blatchford Group Limited, the ultimate parent undertaking of the Company.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report, on the basis that the Company is profitable, cash generative, and has a strong balance sheet. Thus, they continue to adopt the Going Concern basis in preparing the annual financial statements.

Covid-19 is not expected to have a significant impact on the Company. The Directors have determined that there is no material uncertainty that casts doubt on the Company's ability to continue as a going concern.

For further information on how Covid-19 affects the Blatchford Group, please see the consolidated accounts of the ultimate parent company as disclosed in note 28 to these financial statements.

Revenue

Performance obligations and timing of revenue recognition

The Company's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Some goods sold by the Company include warranties which require the group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. On some product lines, a customer is able to take out extended warranties. These are accounted for as separate performance obligations, with the revenue earned recognised on a straight-line basis over the term of the warranty.

Determining the transaction price

Most of the Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. There are no notable exceptions from this policy.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Company is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Most extended warranties are sold on the Company's behalf by other group companies when the end customer buys one of the Company's products from the customer facing Group company. There is therefore also no judgement required for determining the amounts received for extended warranties – it is the priced charged to the purchaser of the warranty. (From the group's perspective, the contract with the end customer for the warranty is indistinguishable from the contract with selling Group company; a back-to-back warranty exists).

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

Allocating amounts to performance obligations (continued)

In order to win significant repeat business with key customers, the Company might enter into contracts entitling them to discounts if it places repeat orders in the future. Such discounts constitute a 'material right' and result in some of the consideration received for the initial sale being deferred and recognised as revenue when subsequent sales are fulfilled or (if later) when the rights to receive a discount expire. The Company estimates both the probability that the customer will take up its future discount offer and the value of future purchases that might be made in order to estimate the value of the rights granted. This has to be done on a contract-by-contract basis for each customer to whom material rights have been granted. The Directors do not consider past experience an appropriate basis for estimating the amount of total contract revenue to allocate to future discount rights for two reasons. Firstly, there is not a significant number of such contracts on which past experience can be extrapolated. And secondly, each customer has unique circumstances which will impact both the probability and value of additional orders being placed. Therefore, the estimates are made by reference to discussions had with the relevant customers as to the extent the discount options will be taken up when the original contracts were negotiated.

Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are presented within their relevant consolidated income statement category, but highlighted through separate disclosure. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company as lessee (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the property, plant and equipment line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in profit or loss (see note 6).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Fixtures and fittings, plant and machinery and leasehold improvements are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Plant and machinery	10% - 20%
Fixtures and fittings	10% - 30%
Leasehold improvements	Over the remaining term of the lease
Loaners and demonstrators	33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Internally generated intangible assets - research and development expenditure (continued)

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally generated research and development expenditure, recognised as an intangible asset, is amortised to nil value on a straight-line basis over a maximum useful life of 10 years unless management determines that a shorter life is more appropriate due to likely technological or other changes that may reduce this life.

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Patents

Patents are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of a maximum of 21 years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Derivative financial instruments and hedging

The company has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises of direct material costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Inventory is accounted for on a first in first out (FIFO) basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Company's obligation.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Key Sources of Estimation Uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Warranty and service provisions

The Company provides a warranty against failure due to manufacturing defects for some of its products for a specified time period. In addition, some of the Company's products require a scheduled service whose cost is borne by the Company. The Company makes estimates of its obligations under these warranties and scheduled services at the time of sale of the product. For existing products, these estimates are based on historical data (the number of units sold and still under warranty, historical return rates and average costs of those returns). In the case of new products where no historical data is available, estimates are based on comparative data for existing products with similar function and technological content.

Information on the key sensitivities and the carrying value of warranty provisions at the end of the reporting period can be found in note 19.

Uncertain tax positions

The Company does not have any uncertain tax positions that may give rise to a significant risk of material adjustments in the next of future accounting periods.

3.2 Critical Accounting Judgements

Deferred development expenditure

The carrying value of such expenditure in the statement of financial position is greatly affected by the assumed estimated useful life of the products and/or services to which it relates. The Company is aware of the need to make its best possible estimate of useful life but this is very difficult in the case of some products whose lives at the time of their launch for sale is highly unpredictable.

A product may have a very short life due to future technological developments. Conversely, the Company has products in its current portfolio that have been generating revenues and profits for in excess of 20 years.

The Company has tried to balance these considerations to arrive at an average life of 10 years for such costs which it believes results in its best estimate of fair value for these assets. These assumptions need careful monitoring and review over time to ensure that they remain valid.

The balances affected are shown in note 13 to the accounts under the heading "Development expenditure". Whilst the total balance carried on the balance sheet is material, management considers it unlikely that a change in key assumptions would result in a material error in the accounts for the following reasons:

- the total balance comprises expenditure related to numerous individual products that have their own separate revenue streams;
- there is no history of, and it would be extremely unusual for, a product to not sell after launch or to be immediately withdrawn. Any impairments that may arise would likely occur following a number of years of sales, with the resulting capitalised expenditure having been partly amortised and;
- only a very rare event affecting all products generally or a significant category of products would lead to the impairment of several products simultaneously. Management is not aware of any current risks that may lead to this eventuality.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

4. REVENUE

An analysis of the Company's revenue is as follows:

	2020	2019
	£'000	£'000
Continuing operations		
Sales of goods	23,085	26,195
Extended warranties	165	146
	<u>23,250</u>	<u>26,341</u>

5. FINANCIAL INSTRUMENTS

The company has no financial assets measured at fair value through profit or loss.

The company has the following financial liabilities measured at fair value through profit or loss:

	2020	2019
	£'000	£'000
Derivative financial instruments	-	49

Derivative financial instruments

In March 2019, the Company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables for the year ended 31 March 2020. At 31 March 2020, all outstanding contracts had matured and the Company has decided not to enter into forward foreign currency contracts for the financial year ending 31 March 2021.

The fair value was determined using quoted forward exchange rates and present value calculations based on high credit quality yield curves in the respective currencies.

6. PROFIT FOR THE YEAR

	2020	2019
	£'000	£'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses	54	391
Research costs	1,068	1,429
Depreciation of property, plant and equipment	624	536
Operating lease rentals – Plant and Machinery	-	40
Operating lease rentals – Land and Buildings	-	178
Amortisation of intangible assets included in other operating expenses	764	956
R&D grant expense/(income)	4	(40)
Depreciation – Loaners and demonstrator equipment	637	-
Exceptional items (see note 7)	17	53

The R&D grant income recognised relates to one grant from Innovate UK. Innovate UK is a UK funded research project comprising a consortium of organisations across the UK, to develop and realise the potential of new ideas into commercially successful products. Grant income is not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to the grant and that the grants will be received.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

7. EXCEPTIONAL COSTS

	2020 £'000	2019 £'000
Sale related bonus	-	142
Licence fee income	-	(89)
Business transformation cost	17	-
	<u>17</u>	<u>53</u>

The sale related bonus was a one-off payment to a Director in recognition of their support to the sale of the business from the Blatchford Family to CBPE Capital LLP. The sale related bonus was paid in November 2018 and is classified as disallowable for income tax purposes.

The licence fee income relates to an up-front payment by a competitor for a non-exclusive licence to use some of the Company's technology. The income is taxed in the period in which it is recognised at the standard rate of corporation tax. Cash was received upfront on inception of the licence and therefore there is no cash flow impact in the period.

Business transformation cost represents the redundancy cost associated with organisational changes post acquisition. At 31 March 2020, 100% costs had been paid (31 March 2019: £nil). The business transformation cost has been treated as allowable for tax purposes.

8. AUDITOR REMUNERATION

The analysis of auditor remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	45	45
Tax compliance services	6	6

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

9. STAFF COSTS

	2020 No.	2019 No.
The average monthly number of employees (including Directors) was:		
Manufacturing & logistics	127	114
Sales & marketing	13	15
Research & development	33	30
General & administration	18	16
	<u>191</u>	<u>175</u>
Staff costs for above persons:	£'000	£'000
Wages and salaries	6,601	6,204
Social security costs	640	610
Other pension costs	299	288
	<u>7,540</u>	<u>7,102</u>

10. DIRECTORS' REMUNERATION

The Directors are remunerated for their services by Evolution Bidco Limited, a group undertaking. During the year and the prior year, the Directors' costs have been recharged to the Company in accordance with the appropriate Management Services Agreement.

11. FINANCE COSTS

	2020 £'000	2019 £'000
Interest on lease liabilities	<u>8</u>	<u>3</u>

Blatchford Products Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

12. TAXATION

	2020	2019
	£'000	£'000
The tax charge represents:		
UK corporation tax on profits of the period at 19% (2019: 19%)	29	262
Over provision of prior year tax	<u>(98)</u>	<u>(87)</u>
Total corporation tax	(69)	175
Total deferred tax (Note 20)	<u>67</u>	<u>(198)</u>
Total taxation credit	<u>(2)</u>	<u>(23)</u>

The standard rate of corporation tax applied to reported profit is 19% (2019: 19%).

No current or deferred tax charges were recorded directly in other comprehensive income during the current or prior year.

The differences are explained as follows:

	2020	2019
	£'000	£'000
Profit on ordinary activities before tax	<u>857</u>	<u>2,076</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	163	395
Effect of:		
Expenses not deductible	152	(5)
Income not taxable	(139)	-
Effects of group relief	(219)	(186)
Tax rate changes	86	6
Adjustments to tax charge in respect of prior periods	<u>(45)</u>	<u>(233)</u>
Total tax credit for the year	<u>(2)</u>	<u>(23)</u>

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

13. INTANGIBLE ASSETS

	Patents £'000	Development expenditure £'000	Software £'000	Total £'000
Cost				
At 1 April 2018	1,241	8,198	20	9,459
Additions	231	848	28	1,107
At 31 March 2019	1,472	9,046	48	10,566
Additions	50	1,598	22	1,670
At 31 March 2020	1,522	10,644	70	12,236
Amortisation				
At 1 April 2018	(480)	(4,595)	(9)	(5,084)
Charge for the year	(73)	(874)	(9)	(956)
At 31 March 2019	(553)	(5,469)	(18)	(6,040)
Charge for the year	(124)	(624)	(16)	(764)
At 31 March 2020	(677)	(6,093)	(34)	(6,804)
Net book value				
At 31 March 2020	845	4,551	36	5,432
At 31 March 2019	919	3,577	30	4,526
At 31 March 2018	761	3,603	11	4,375

Development costs and Patents are amortised over useful economic lives of 10 and 21 years respectively. Amortisation of intangible assets is included within Other Operating Expenses on the Statement of Comprehensive Income.

Software is amortised over a useful economic life of 3 years. Amortisation of software is included within Other Operating Expenses on the Statement of Comprehensive Income.

Blatchford Products Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Loaners equipment £'000	Right of use		Total £'000
					Building £'000	Equipment £'000	
Cost							
At 1 April 2018	8	7,221	1,001	-	-	-	8,230
Additions	-	142	55	-	-	-	197
Disposals	-	(387)	(1)	-	-	-	(388)
At 31 March 2019	8	6,976	1,055	-	-	-	8,039
Additions	-	210	47	955	298	121	1,631
Disposals	-	-	-	(112)	-	-	(112)
At 31 March 2020	8	7,186	1,102	843	298	121	9,558
Accumulated Depreciation							
At 1 April 2018	(3)	(5,663)	(938)	-	-	-	(6,604)
Charge for the year	-	(501)	(35)	-	-	-	(536)
Disposals	-	386	-	-	-	-	386
At 31 March 2019	(3)	(5,778)	(973)	-	-	-	(6,754)
Charge for the year	(1)	(392)	(37)	(637)	(149)	(45)	(1,261)
Disposals	-	-	-	78	-	-	78
At 31 March 2020	(4)	(6,170)	(1,010)	(559)	(149)	(45)	(7,937)
Net book value							
At 31 March 2020	4	1,016	92	284	149	76	1,621
At 31 March 2019	5	1,198	82	-	-	-	1,285
At 31 March 2018	5	1,558	63	-	-	-	1,626

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets

The Company leases several assets including buildings and plant. The average lease term is 2 years.

The Company has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

	2020
	£
Amounts recognised in profit and loss	
Depreciation expense on right-of-use assets	152,000
Interest expense on lease liabilities	8,000

15. INVENTORIES

	2020	2019
	£'000	£'000
Raw materials	174	198
Work-in-progress	728	233
Finished goods	4,319	4,329
	<u>5,221</u>	<u>4,760</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £16,071,000 (2019: £16,963,000).

The cost of inventories recognised as an expense includes £nil (2019: £nil) in respect of write-downs of inventory to net realisable value and has been reduced by £nil (2019: £nil) in respect of the reversal of such write-downs.

16. TRADE AND OTHER RECEIVABLES

	2020	2019
	£'000	£'000
Amounts receivable for the sale of goods	556	614
Allowance for doubtful debts	<u>(158)</u>	<u>(155)</u>
	398	459
Amounts owed by group subsidiary undertakings - trade	2,382	2,084
Amounts owed by group associate undertakings - trade	1,108	1,187
Impairment of amounts owed by group associate undertakings	<u>(838)</u>	<u>(647)</u>
	270	540
Other debtors	371	735
Prepayments	<u>87</u>	<u>36</u>
	<u>3,508</u>	<u>3,854</u>

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2020

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The average credit period taken on sales of goods is 59 days (2019: 61 days). Interest is generally not charged on overdue debtors. Ledgers are reviewed quarterly, as a minimum to assess the collectability of amounts outstanding. Before accepting any new customer, the Company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed at least once a year depending on the size and risk category assigned internally to the customer.

Related party Endolite Turkey receivable has had a full provision booked against it following a decision by the Company's former parent, Chas. A. Blatchford & Sons Limited to withdraw its financial support from the Endolite Turkey joint venture. At 31 March 2020, the Company booked a provision for bad debt of £261,000 (31 March 2019: £nil) against its receivable balance due from Endolite India Limited, a related party.

With the exception of our Endolite Turkey debtor we believe our customer base has strong credit quality due in most part to the majority of our debtors being due from related parties. Furthermore, we define credit limits based upon potential credit quality and review annually to help ensure we can continue to collect amounts owed.

The Company does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Movement in the allowance for doubtful debts:

	2020 £'000	2019 £'000
Balance at the beginning of the period	802	929
Amounts written off during the year as uncollectible	-	71
Amounts recognised/(recovered) during the year	261	(187)
Foreign exchange translation gains and losses	(67)	(11)
Balance at the end of the period	<u>996</u>	<u>802</u>

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The majority of trade receivables are owed to the Company by related companies. However, for the reasons described in the Strategic Report, the Directors are not concerned by this concentration of credit risk.

Amounts owed by group subsidiary undertakings - trade

Amounts owed by group subsidiary undertakings are unsecured, interest free and are repayable on demand.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

17. TRADE AND OTHER PAYABLES

	2020	2019
	£'000	£'000
Trade creditors	1,262	968
Other taxation and social security	212	209
Amounts due to group subsidiary undertakings – non-trade	746	998
Accruals	272	235
Deferred income	404	286
	<u>2,896</u>	<u>2,696</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 44 days (2019: 33 days). Suppliers do not charge the Company interest on overdue amounts. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Amounts due to group subsidiary undertakings are unsecured, interest free and are repayable on demand.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Deferred income represents income related to future periods for the sale of extended warranties.

18. LEASE LIABILITIES

	2020	2019
	£'000	£'000
Amount due for settlement		
Between one and five years	-	32
After five years	-	-
	<u>-</u>	<u>32</u>
Within one year	190	63
	<u>190</u>	<u>95</u>
		2019
		£'000
Amounts payable under finance leases:		
Within one year		64
In the first to second years inclusive		32
		<u>96</u>
Less: future finance charges		(1)
Present value of lease obligations		<u>95</u>

It is the Company's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five years. For the year ended 31 March 2020, the average effective borrowing rate was 3.69% (2018/19: 1.89%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Company's lease obligations is approximately equal to their carrying amount.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

19. PROVISIONS

	2020 £'000	2019 £'000
Warranty and service provision	2,850	3,123
Patent provision	-	56
	<u>2,850</u>	<u>3,179</u>
Current	786	943
Non-current	<u>2,064</u>	<u>2,236</u>
	<u>2,850</u>	<u>3,179</u>

	Warranty provision £'000	Patent provision £'000	Total Company £'000
At 31 March 2019	3,123	56	3,179
Additional provision in the year	1,431	-	1,431
Utilisation of provision	(1,704)	-	(1,704)
Written off	-	(56)	(56)
At 31 March 2020	<u>2,850</u>	<u>-</u>	<u>2,850</u>

The warranty and service provision represents the estimated future costs of product returns and service cost, based on the number of units sold and still under warranty, historical return rates and average costs of those returns. The majority of these provisions related to warranties and scheduled service costs where the liability expires in three years or less.

The key sensitivity within the provision is whether historical return rates represent those expected in the future. A 1% increase in return rates used in calculating the warranty provision at 31 March 2020 would result in a £23,000 increase in the warranty provision.

The patent provision represents the estimated level of uncertainty of the commercialisation of patents filed for on-going development projects and is based upon the latest information on technical feasibility to complete and market conditions needed to generate future economic benefit. The patent provision is related to patents where the liability expires been 1 and 10 years.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

20. DEFERRED TAX

The following are the deferred tax liabilities recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Intangible costs £'000	Other £'000	Total £'000
At 31 March 2019	(26)	(672)	10	(688)
Charge/(credit) to profit and loss	25	(87)	(5)	(67)
At 31 March 2020	<u>(1)</u>	<u>(759)</u>	<u>5</u>	<u>(755)</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 £'000	2019 £'000
Deferred tax liabilities	<u>(755)</u>	<u>(688)</u>

The deferred tax rate at 31 March 2020 is 19%. This rate was substantively enacted on 17 March 2020 and repeals the previously enacted 17% tax rate which was due to come into force on 1 April 2020. The future impact of the changes on the deferred tax provision is not considered material.

21. SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised:		
1,000 Ordinary £1 shares	<u>1</u>	<u>1</u>
Issued and fully paid:		
1,000 Ordinary £1 shares	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares which carry no right to fixed income.

22. RETAINED EARNINGS

	£'000
Balance as at 1 April 2017	11,679
Profit for the year	<u>1,151</u>
Balance as at 31 March 2018	12,830
Profit for the year	<u>2,099</u>
Balance as at 31 March 2019	14,929
Profit for the year	<u>859</u>
Balance as at 31 March 2020	<u>15,788</u>

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

23. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

	2019
	£'000
Lease payments under operating leases recognised as an expense in the year	218

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019
	£'000
Within one year	217
In the second to fifth years inclusive	484
	701

Operating lease payments represent rentals payable by the Company for vans and for rentals payable to a group associate undertaking relating to the use of business premises. Vehicle leases are negotiated for an average of three years.

24. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Blatchford Group Limited and has taken advantage of the exemption granted by paragraph 8(k) of FRS 101, not to disclose transactions with Blatchford Group Limited group companies or interests of the Group who are related parties.

25. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution schemes

The Company operates a defined contribution scheme for the benefit of the employees. The assets of the schemes are administered by trustees in funds independent of those of the Company.

Company contributions to the scheme for the 12 months were £298,000 (2019: £286,000). The total cost charged to income statement of £299,000 (2019: £288,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. As at 31 March 2020, contributions of £24,000 (2019: £23,000) due in respect of the current reporting period had not been paid over to the schemes.

26. CONTINGENT LIABILITIES

On 20 November 2018, the Company's group associate undertaking, Evolution Bidco Limited, entered into new banking facilities with HSBC UK Bank plc, consisting of a £20,000,000 Term Loan repayable on an interest only basis with a bullet repayment due at the end of the 7 year term and a £5,000,000 multi-currency RCF. The term loan accrues interest at 4% + LIBOR. The multi-currency RCF accrues interest at 3.5% + LIBOR/EURIBOR/NIBOR. The new facilities are subject to a quarterly leverage covenant test, which commenced on 31 December 2019.

The Company has agreed to become a guarantor and to be bound by the terms of the banking facilities.

27. POST BALANCE SHEET EVENTS

There are no post balance sheet events that require adjustment or disclosure in the financial statements.

Blatchford Products Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2020

28. PARENT AND ULTIMATE CONTROLLING PARTY

At 31 March 2020 and at 31 March 2019, the immediate parent company of Blatchford Products Limited is Stevton (No.664) Limited, a company incorporated in England and Wales. The ultimate parent company of the Company, and the smallest and largest group which prepares consolidated financial statements and of which the Company forms a part, is Blatchford Group Limited, a company incorporated in Jersey. At the date of signing, the Directors considers CBPE Capital LLP to be the ultimate controlling party.

The consolidated financial statements of the ultimate parent company are available to the public and may be obtained from its registered office, 28 Esplanade, St Helier, Jersey, JE2 3QA.