

COMPANIES HOUSE COPY

A.B. Precision (Poole) Limited

Report and Financial Statements

Year Ended

31 March 2017

Company Number 00889363



BDO

A.B. Precision (Poole) Limited

**Report and financial statements
for the year ended 31 March 2017**

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Director

J G Harris

Registered office

Unit 15c Blackpole East, Blackpole Road, Worcester, England, WR3 8YB

Company number

00889363

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

A.B. Precision (Poole) Limited

Strategic report for the year ended 31 March 2017

The director presents his strategic report together with the audited financial statements for the year ended 31 March 2017.

Principal activities

The principal activities of the company continue to include the design and manufacture of automation equipment, explosive ordnance disposal and defence support and special projects.

Review of business and future developments

The main performance measures used by the company are sales, profits and cash generation.

Sales for the year were £9,074,121, a decrease of 37% on the previous year (2016 - £14,335,899). Automation sales were significantly affected by a significant change in customer demand that was not able to be replaced in the short term. Defence Support and Special Projects (DSSP) and Explosive Ordnance Disposal (EOD) showed improvement.

All business areas have strong prospects moving into 2017/18. Automation has long term visibility of high value contracts and is seeing an upturn in orders from new customers. DSSP and EOD have seen a healthy upturn in their market sectors and have won significant orders.

Profit after tax was £25,862 (2016 - £1,408,948).

Principal risks and uncertainties

The principal risks associated with the company's financial assets and liabilities are set out below:

Price risk

There is no significant exposure to changes in the carrying value of financial instruments, assets and liabilities, except as a result of foreign currency exchange rate fluctuations, as described below.

Credit risk

The company makes appropriate credit checks on its customers and maintains strict credit limits to minimise its exposure to external credit risk.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations. The company is party to a cross-guarantee securing certain banking facilities of other companies under common control.

Foreign currency risk

The company has exposure to a number of foreign currencies through its purchases and sales of products. Exposure is principally to US dollars and Euros. The company takes out forward foreign currency contracts to mitigate this risk, consistent with the group's policy of hedging against known and highly probable exposures for a 6-12 month forward period.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments of a speculative nature shall be undertaken.

Research and development activities

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on innovative research and product development and improvement.

A.B. Precision (Poole) Limited

Strategic report for the year ended 31 March 2017 (continued)

Funding and going concern

The company suffered a significant reduction in sales from a major customer during the year ended 31 March 2017 which placed significant strain on its funding during the financial year and since the year end. Subsequent to the year end the company has received significant new orders from this customer totalling in excess of £7.5m and is in ongoing negotiations with the same customer for further orders.

After the year end and in response to its cash pressures the company pursued new third party funding arrangements to support the business. Following the assessment of a number of interested lenders the company has arranged a new funding facility of a maximum of £2m that has enabled it to repay certain of its previous funding facilities and provides the working capital funding required by the company for at least the next 12 months from the date of the approval of these financial statements. This facility is secured on the assets of the company. At the date of approval of these financial statements the company had received funding of £1.9m from the facility which is repayable at the earliest of 12 months from the date of receipt of notice of repayment from the provider of the facility. The director confirms that no notice has been received from the provider of the facility as at the date of approval of these financial statements.

The director has confidence that if the facility was to be withdrawn then replacement funding could be secured to support the business. In addition to this facility the company also has a bills of exchange facility provided by a trade finance company to the value of US900k and two small performance guarantee facilities. The bill of exchange facility has been in operation and available to drawdown from since October 2015 and the director expects this facility to remain in place for the next 12 months.

The director has prepared detailed profit and cash flow forecast ("the forecast") for the company for the period to 31 March 2019 which show that the company will be able to operate within the above level of borrowing of £1.9m and bills of exchange facility and pay its debts as they fall due for payment for the period to 31 March 2019. The forecast also show that the company should be able to operate within the covenants specified by the new facility. The order book at the date of signing the accounts is £10m which will give rise to improved trading in the period to 31 March 2019 the increase is partly as a result of increased trading with the major customer noted above which is expected to continue along with an upturn in trading with other customers.

On this basis the director considers that it remains appropriate to prepare the accounts on the going concern basis.

This report was approved by the board on 4/4/18 and signed on its behalf



J G Harris
Director

A.B. Precision (Poole) Limited

Report of the director for the year ended 31 March 2017

The director presents his report together with the audited financial statements for the year ended 31 March 2017.

Results and dividends

The profit for the year, after taxation, amounted to £25,862 (2016 - £1,048,948).

No interim dividends were declared and paid during the year (2016 - £Nil). The director does not propose the payment of a final dividend (2016 - £Nil).

Director

The director who served during the year and up to the date of approval of this report was:

J G Harris

Employee involvement

During the year, regular meetings are held between local management and employees to allow a free flow of information and ideas.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Post balance sheet events

Other than as noted in the strategic report and notes to the financial statements there have been no significant events affecting the company since the year end.

A.B. Precision (Poole) Limited

Report of the director for the year ended 31 March 2017 (continued)

Director's responsibilities

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The company's principal activities, trading review, future developments and financial risk management objectives and policies that would normally be shown within the directors' report have been included in the strategic report.

Disclosure of information to auditors

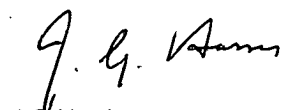
The director at the time when this director's report is approved has confirmed that:

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

Auditors

Ernst & Young LLP resigned as auditors of the company during the year and BDO LLP were appointed as auditors of the company by the director. BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

This report was approved on behalf of the Board on 4/4/18 and signed on its behalf



J G Harris
Director

A.B. Precision (Poole) Limited

Independent auditor's report

TO THE MEMBERS OF A.B. PRECISION (POOLE) LIMITED

We have audited the financial statements of A.B. Precision (Poole) Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. 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).

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.

Respective responsibilities of director and auditors

As explained more fully in the statement of director's responsibilities, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

A.B. Precision (Poole) Limited

Independent auditor's report (*continued*)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

BDO LLP

Thomas Lawton (*Senior statutory auditor*)
For and on behalf of BDO LLP, Statutory auditor
Birmingham
United Kingdom

Date:

5 April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

A.B. Precision (Poole) Limited

Statement of comprehensive income for the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	3	9,074,121	14,335,899
Cost of sales		<u>(6,481,829)</u>	<u>(9,774,245)</u>
Gross profit		2,592,292	4,561,654
Administrative expenses		<u>(2,267,343)</u>	<u>(2,833,796)</u>
Operating profit	4	324,949	1,727,858
Interest receivable and similar income	6	86,322	88,589
Interest payable and similar charges	7	<u>(393,665)</u>	<u>(123,970)</u>
Profit before tax		17,606	1,692,477
Tax on profit	8	<u>8,256</u>	<u>(283,529)</u>
Profit and total comprehensive income for the financial year		<u>25,862</u>	<u>1,408,948</u>

There were no recognised gains and losses for the year ended 31 March 2017 or for the year ended 31 March 2016 other than those included in the statement of comprehensive income above.

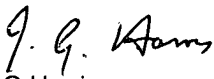
The notes on pages 10 to 25 form part of these financial statements.

A.B. Precision (Poole) Limited

Balance sheet as at 31 March 2017

<i>Company number 00889363</i>	<i>Note</i>	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	9		226,473		233,403
Current assets					
Stocks	10	1,449,386		1,601,113	
Debtors: amounts falling due within one year	11	6,208,670		2,371,349	
Cash at bank and in hand	12	127,186		3,924,832	
		<u>7,785,242</u>		<u>7,897,294</u>	
Creditors: amounts falling due within one year	13	<u>(4,758,422)</u>		<u>(4,415,281)</u>	
Net current assets			3,026,820		3,482,013
Total assets less current liabilities			3,253,293		3,715,416
Creditors: amounts falling due after more than one year	14		(387,829)		(907,728)
Provisions for liabilities					
Deferred tax	17	(8,824)		(13,402)	
Other provisions	18	(65,853)		(29,361)	
		<u>(74,677)</u>		<u>(42,763)</u>	
Net assets			2,790,787		2,764,925
Capital and reserves					
Called up share capital	19		13,755		13,755
Profit and loss account	20		2,777,032		2,751,170
Shareholders' funds			2,790,787		2,764,925

The financial statements were approved by the Director and authorised for issue on 4/4/18


J G Harris
Director

The notes on pages 10 to 25 form part of these financial statements.

A.B. Precision (Poole) Limited

Statement of changes in equity for the year ended 31 March 2017

	Share capital £	Profit and loss account £	Total equity £
At 1 April 2016	13,755	2,751,170	2,764,925
Comprehensive income for the year			
Profit for the year	-	25,862	25,862
At 31 March 2017	13,755	2,777,032	2,790,787

Statement of changes in equity for the year ended 31 March 2016

	Share capital £	Profit and loss account £	Total equity £
At 1 April 2015	13,755	1,342,222	1,355,977
Comprehensive income for the year			
Profit for the year	-	1,408,948	1,408,948
At 31 March 2016	13,755	2,751,170	2,764,925

The notes on pages 10 to 25 form part of these financial statements.

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

1 Accounting policies

A.B. Precision (Poole) Limited is a private limited liability company incorporated and domiciled in England and Wales. The registered office is Unit 15c Blackpole East, Blackpole Road, Worcester, England, WR3 8YB.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions on preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

- the requirements of Section 4 Statement of Financial Position paragraph 4 12(a)(1V);
- the requirements of Section 7 Statement of Cash Flows,
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d),
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A,
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29,
- the requirements of Section 33 Related Party Disclosures paragraph 33.7

This information is included on the consolidated financial statements of AB Precision Holdings Limited as at 31 March 2017 and these financial statements may be obtained from c/o Shakespeare Martineau LLP, 1 Colmore Square, Birmingham B4 6AA.

Going concern

The company suffered a significant reduction in sales from a major customer during the year ended 31 March 2017 which placed significant strain on its funding during the financial year and since the year end. Subsequent to the year end the company has received significant new orders from this customer totalling in excess of £7.5m and is in ongoing negotiations with the same customer for further orders.

After the year end and in response to its cash pressures the company pursued new third party funding arrangements to support the business. Following the assessment of a number of interested lenders the company has arranged a new funding facility of a maximum of £2m that has enabled it to repay certain of its previous funding facilities and provides the working capital funding required by the company for at least the next 12 months from the date of the approval of these financial statements. This facility is secured on the assets of the company. At the date of approval of these financial statements the company had received funding of £1.9m from the facility which is repayable at the earliest of 12 months from the date of receipt of notice of repayment from the provider of the facility. The director confirms that no notice has been received from the provider of the facility as at the date of approval of these financial statements.

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

1 Accounting policies (*continued*)

Going concern (continued)

The director has confidence that if the facility was to be withdrawn then replacement funding could be secured to support the business. In addition to this facility the company also has a bills of exchange facility provided by a trade finance company to the value of US900k and two small performance guarantee facilities. The bill of exchange facility has been in operation and available to drawdown from since October 2015 and the director expects this facility to remain in place for the next 12 months.

The director has prepared detailed profit and cash flow forecast ("the forecast") for the company for the period to 31 March 2019 which show that the company will be able to operate within the above level of borrowing of £1.9m and bills of exchange facility and pay its debts as they fall due for payment for the period to 31 March 2019. The forecast also show that the company should be able to operate within the covenants specified by the new facility. The order book at the date of signing the accounts is £10m which will give rise to improved trading in the period to 31 March 2019 the increase is partly as a result of increased trading with the major customer noted above which is expected to continue along with an upturn in trading with other customers.

On this basis the director considers that it remains appropriate to prepare the accounts on the going concern basis.

Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, usually on despatch of the goods. Revenue from the provision of other services is recognised when the services have been provided.

Revenues and profits on long-term contracts are computed on the percentage of completion method, based on accumulated costs to date of each project, primarily by reference to labour hours and material costs. Profits are determined once the outcome of the contract can be assessed with reasonable certainty, after making reserves against all anticipated costs, including all possible warranty claims. The excess of payments received and receivable, over amounts recorded as turnover, is recorded as payments received on account and included within creditors due within one year. Where contracts allow for milestone claims, revenue is recognised upon completion of works or services provided in accordance with the contract.

Tangible fixed assets

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Long-term leasehold property	-	over the life of the lease
Plant and machinery	-	4 to 10 years

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the statement of comprehensive income.

Stocks

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

Financial instruments

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Financial assets

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Other debt instruments, including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement. The impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Other financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for foreign exchange derivatives.

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

1 Accounting policies (continued)

Debtors

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

Cash and cash equivalents

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

Creditors

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

Foreign currency translation

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary asset and liabilities denominated in foreign currencies are recognised in the income statement.

Finance costs

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

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Operating leases - lessee

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Pensions

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

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

1 Accounting policies (*continued*)

Pensions (continued)

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Provisions for liabilities

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

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the company operates and generates income.

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

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

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

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

2 Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and disclosures of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates, together with expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The following judgments/estimates have had the most significant effect on amounts recognised in the financial statements:

Going concern

When making the assessment upon the company's ability to continue as a going concern, the director considers various factors, including current trading and market conditions, current funding facilities, the expectations of future trading and the ability of the company to operate within available funding facilities, contingent liabilities, and any other relevant facts or circumstances. This assessment covers at least twelve months following the date of approval of the financial statements. Note 1 contains more information in respect of this.

Stock valuation

At each balance sheet date, stocks are reviewed for impairment. If stock is impaired the carrying value is reduced. The provision is based upon a percentage reduction linked to when the stock was last used, and whether any future contracts need the items of stock.

Recoverability of trade debtors

At each balance sheet date, debtors are reviewed for recoverability. If a concern exists as to the recoverability of any individual debtor, the carrying value is reduced. The provision is based upon an assessment of the amount which may not be recovered based on the evidence in hand at the time.

Recoverability of amounts due from parent company and related party undertakings

At each balance sheet date, the amounts due from parent company and related party undertakings are reviewed for recoverability. If a concern exists as to recoverability, the carrying value is reduced. The director (who is also the sole director of the parent company and related party undertakings) considers that they will be able to fully repay their debts to the company. Therefore at the date of approval of these financial statements, the director does not consider that any impairment is required against amounts due from parent company and related party undertakings.

Warranty provision

Provision is made for potential warranty claims in respect of completed projects which are within their warranty period. This is based upon previous experience of warranty claims.

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

3 Analysis of turnover

The analysis of turnover by class of business required by paragraph 68 of Schedule 1 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 has not been provided as, in the opinion of the director, such disclosure would be seriously prejudicial to the interests of the company.

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	3,298,516	6,527,210
Rest of Europe	1,563,585	4,579,349
Rest of the World	4,212,020	3,229,340
	9,074,121	14,335,899

4 Operating profit

This is arrived at after charging/(crediting):

	2017 £	2016 £
Research and development	106,894	241,259
Depreciation of tangible fixed assets	94,214	83,077
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	35,950	29,020
Exchange differences	(211,614)	(26,936)
Defined contribution pension cost	136,666	117,615
Operating lease charges – land and buildings	169,250	169,250
Operating lease charges – other	51,355	36,409

The director is an employee of other related companies where he is remunerated for his employment. No substantive qualifying services are provided by the director to the company and it is not considered that the director received remuneration in the current year (2016 - £Nil) in his capacity as director of the company.

5 Employees

Staff costs consist of:

	2017 £	2016 £
Wages and salaries	2,747,262	3,410,256
Social security costs	292,473	297,332
Other pension costs	136,666	117,615
	3,176,401	3,825,203

The average number of employees (including the director) during the year was:

	2017 Number	2016 Number
Manufacturing	66	69
Administration , selling, distribution and assembly	10	9
	76	78

A.B. Precision (Poole) Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

6 Interest receivable and similar income

	2017 £	2016 £
Bank interest receivable	-	74,022
Interest receivable from group companies	21,306	-
Interest receivable from related parties	40,111	-
Other interest receivable	24,905	14,567
	<u>86,322</u>	<u>88,589</u>

7 Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	3,200	411
Interest payable to group companies	99,497	-
Other loan interest payable	288,341	120,980
Other interest payable	2,627	2,579
	<u>393,665</u>	<u>123,970</u>

8 Taxation on profit on ordinary activities

	2017 £	2016 £
<i>Corporation tax</i>		
Current tax on profits of the year	(3,616)	286,961
Adjustment in respect of previous periods	(62)	-
	<u>(3,678)</u>	<u>286,961</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(4,818)	(2,676)
Change to tax rates	240	(703)
Other timing differences	-	(53)
	<u>(4,578)</u>	<u>(3,432)</u>
Taxation on profit on ordinary activities	<u>(8,256)</u>	<u>283,529</u>

A.B. Precision (Poole) Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

8 Taxation on profit on ordinary activities (*continued*)

Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20% (2016 – 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	17,606	1,692,477
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2016 - 20%)	3,522	338,495
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	11,888	7,240
Expenses not deductible for tax purposes	(23,844)	(58,589)
Adjustments in respect of previous periods	(62)	-
Non-taxable income	-	(2,914)
Effect of tax rate changes	240	(703)
Tax charge for the year	(8,256)	283,529

Factors that may affect future tax charges

The 2016 budget confirmed that the UK corporation tax rate will reduce to 19% to apply from 1 April 2017 and to 17% from 1 April 2020.

These changes will impact the future tax liabilities of the company.

A.B. Precision (Poole) Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

9 Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Total £
<i>Cost</i>			
At 1 April 2016	401,733	461,954	863,687
Additions	-	87,285	87,285
Disposals	-	(48,163)	(48,163)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	401,733	501,076	902,809
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2016	258,744	371,541	630,285
Charge for the year	47,663	46,551	94,214
Disposals	-	(48,163)	(48,163)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	306,407	369,929	676,336
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2017	95,326	131,147	226,473
	<hr/>	<hr/>	<hr/>
At 31 March 2016	142,990	90,413	233,403
	<hr/>	<hr/>	<hr/>

The director has assessed the carrying value of tangible fixed assets and considers no impairment is required.

10 Stocks

	2017 £	2016 £
Work in progress	922,385	954,982
Finished goods and goods for resale	527,001	646,131
	<hr/>	<hr/>
	1,449,386	1,601,113
	<hr/>	<hr/>

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

Stock recognised in cost of sales during the year as an expense was £4,580,927 (2016 - £7,478,437).

An impairment loss of £46,365 (2016 - £23,609) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The provision made against gross stock was £199,144 (2016 - £152,779).

A.B. Precision (Poole) Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (continued)

11 Debtors

	2017 £	2016 £
Trade debtors	1,354,365	1,955,373
Amounts owed by parent company	4,223,804	85,561
Amounts owed by related party undertakings	44,708	1,632
Other debtors	100,083	199,273
Prepayments and accrued income	485,710	124,298
Financial instruments	-	5,212
	<u>6,208,670</u>	<u>2,371,349</u>

The amounts owed by parent company earn interest at 2% over base rate. Note 2 contains other information in respect of this balance.

The amounts owed by related party undertakings earn interest at 2% over base rate. Note 2 contains other information in respect of this balance.

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debts was £2,433 (2016 - £11,704).

12 Cash and cash equivalents

	2017 £	2016 £
Cast at bank and in hand	<u>127,186</u>	<u>3,924,832</u>

13 Creditors: amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	4,504	-
Other loans (note 15)	1,742,141	936,024
Trade creditors	1,552,373	1,478,629
Amounts owed to related party undertakings	333,770	302,044
Corporation tax	283,283	297,301
Taxation and social security	168,197	83,145
Other creditors	7,034	18,290
Accruals and deferred income	667,120	1,295,127
Financial instruments	-	4,721
	<u>4,758,422</u>	<u>4,415,281</u>

The amounts owed to related party undertakings earn interest at 2% over base rate.

A.B. Precision (Poole) Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (continued)

14 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Other loans (note 15)	387,829	907,728

15 Loans

An analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Other loans	1,742,141	936,024
Amounts falling due 1-2 years		
Other loans	387,829	519,899
Amounts falling due 2-5 years		
Other loans	-	387,829

Included within other loans is a commercial loan of £907,729 (2016 - £1,361,799). The original amount of the loan was £1,500,000 repayable by October 2018 and interest is charged at 9.25% per annum. The loan is secured by a fixed and floating charge over the company's assets.

Included within other loans are loans of £1,222,241 (2016 - £481,953) that relate to short term trade finance facilities which are repayable in 120 days.

16 Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets measured at fair value through profit or loss	-	5,212
Financial assets measured at amortised cost	5,850,146	6,166,671
	5,850,146	6,171,883
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	4,721
Financial liabilities measured at amortised cost	4,694,771	4,942,563
	4,694,771	4,947,284

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (continued)

16 Financial instruments (continued)

Financial assets measured at fair value through the income statement comprise expected gains on foreign currency forward contracts.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade and other debtors, amounts owed by parent company and amounts owed by related party undertakings.

Financial liabilities measured at fair value through the income statement comprise expected losses on foreign currency forward contracts.

Financial liabilities measured at amortised cost comprise bank overdrafts, other loans, trade and other creditors, amounts owed to related party undertakings and accruals and deferred income.

Foreign currency forward contracts

The group purchases forward currency contracts to hedge currency exposure on firm future commitments. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2017 were £1,269,362 (2016 - £891,459).

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months from the reporting date and, as a current asset or liability if the maturity of the hedged item is less than twelve month from the reporting date.

The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

17 Deferred taxation

	£
At 1 April 2016	13,402
Credited to the profit or loss	(4,578)
	<hr/>
At 31 March 2017	8,824
	<hr/>

The deferred taxation balance is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	10,616	15,271
Other timing differences	(1,792)	(1,869)
	<hr/>	<hr/>
	8,824	13,402
	<hr/>	<hr/>

A.B. Precision (Poole) Limited

Notes forming part of the financial statements
for the year ended 31 March 2017 (*continued*)

18 Provisions

	Provision for warranties £
At 1 April 2016	29,361
Charged to the income statement	48,632
Utilised in year	(12,140)
	<hr/>
At 31 March 2017	65,853
	<hr/>

The warranty provision represents the best estimate of the potential exposure to the company on customer claims against work carried out. It is expected that any transfer of economic benefits will occur within one year.

19 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
13,755 Ordinary shares of £1	13,755	13,755
	<hr/>	<hr/>

20 Reserves

Profit and loss account

Profit and loss account reserve relates to accumulated profits less distributions to shareholders.

21 Contingent liabilities

As part of the normal process of trade, HSBC Bank PLC (the bankers at the year end) provides certain performance and advance payment guarantees required by some customers in relation to contracts entered into by the company. In turn, the company provides the bank with counter indemnities for the granting of such guarantees, which at the balance sheet date amounted to £108,022 (2016 - £107,772).

The company has indemnified HSBC Bank PLC (the bankers at the year end) in connection with a duty deferment guarantee in favour of HM Revenue & Customs in the sum of £20,000 (2016 - £20,000).

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

22 Capital commitments

At 31 March 2017, the company had capital commitments totalling £Nil (2016 - £Nil).

23 Pension commitments

The company operates a defined contribution group personal pension scheme for the benefit of employees. The charge for the year was £136,666 (2016 - £117,615). At the year end there was a pension creditor of £16,186 (2016 - £18,290) included with other creditors.

24 Commitments under operating leases

At 31 March 2017, the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Land and buildings		
Not later than 1 year	169,250	169,250
Later than 1 year and not later than 5 years	177,333	346,583
	<u>346,583</u>	<u>515,833</u>
	2017 £	2016 £
Other		
Not later than 1 year	25,076	33,976
Later than 1 year and not later than 5 years	30,759	42,314
	<u>55,835</u>	<u>76,290</u>

A.B. Precision (Poole) Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

25 Related party disclosures

During the year, the company entered into transactions, in the ordinary course of business, with other related parties.

During the year, the company recharged expenses totalling £Nil (2016 - £71,280) to Wintergreen Management Limited (formerly Harris Watson Holdings Limited), a related party company. In addition, the company transferred surplus cash and was charged £420,000 (2016 - £435,794) in relation to management charges. At 31 March 2017, the company owed £Nil (2016 - £202,044) to Wintergreen Management Limited.

During the year, the company made sales totalling £213,150 (2016 - £2,400) to Horstman Defence Systems Limited, a related party company. At 31 March 2017, the company was owed £44,708 (2016 - £1,632) by Horstman Defence Systems Limited.

At 31 March 2017, the company owed £100,000 (2016 - £100,000) to HWH Investments Limited, a related party company.

At 31 March 2017, the company owed £233,770 (2016 - £Nil) to Wintergreen Investments Limited, a related party company.

26 Controlling party

The company's parent company is AB Precision Holdings Limited, a company registered in England and Wales. Consolidated financial statements of AB Precision Holdings Limited may be obtained from AB Precision Holdings Limited, Unit 15c Blackpole East, Blackpole Road, Worcester, England, WR3 8YB.

The company is under the ultimate control of Mr J G Harris by virtue of his majority shareholding in the parent company.