

ACCURACY INTERNATIONAL LIMITED

Directors' report and consolidated financial statements
for the year ended

31 DECEMBER 2013



ACCURACY INTERNATIONAL LIMITED

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ACCURACY INTERNATIONAL LIMITED

DIRECTORS AND ADVISERS

Directors

Thomas Irwin
David Walls

Registered office

Belmont House
Station Way
Crawley
West Sussex
RH10 1JA

Bankers

Natwest Bank
Commercial Road
Portsmouth
Hampshire
PO1 1ES

Auditors

Nexia Smith & Williamson
Chartered Accountants and Statutory
Auditor
Imperial House
18-21 Kings Park Road
Southampton
SO15 2AT

Solicitors

Thomas Eggar
The Corn Exchange
Baffins Lane
Chichester
West Sussex
PO19 1GE

Company's registered number

05375397

ACCURACY INTERNATIONAL LIMITED

STRATEGIC REPORT

The underlying long-term strategy of Accuracy International is to maintain our position as a world leader in the manufacturing of sniper rifles by investing in facilities, equipment, people and processes and not to be diverted by short-term profitability objectives. That does not mean we are not interested in profit but we understand that in order to achieve our long term objective there will be some good and some better years of revenue and profit.

In order to understand this better there is a need to look back to 2005 when the company went into Administration and underwent a management buy-out. At that time we had 4 ordinary shareholders who were also directors, 9 preferred shareholders, 7 employees, 1 building and 2 CNC machines. We now have 3 ordinary shareholders, 2 directors, no preferred shareholders, 76 employees, 3 buildings, 2 in the UK and 1 in the USA, and 30 CNC machines. One ordinary shareholder and all preferred shareholders have been bought out and the majority of the machines have been paid for with cash. We have also invested £1.5 million in facilities.

During the period from 2005 to 2006 we added people and machines as the order book required and the cash allowed. However in 2006 we won a major contract, which provided us with a strong cash position by the end of 2006. That contract continued into 2007, resulting in another good year. We then went on to win a major contract with the UK MOD for delivery of a new sniper rifle system to replace all the old L96 rifles that we had supplied in the mid 1980's. Not only did our cash reserve grow but our reputation grew as well. Being selected by the MOD was a major target for us as we knew that being nominated as the weapon of choice for the British military was going to attract additional business from other military users around the world.

In parallel with winning business we changed our marketing approach from "word of mouth" to promoting ourselves as the supplier of "the best sniper rifle in the world". We had our product on a number of Discovery Channel programs, which were screened worldwide, several UK programs and in numerous magazines around the world. In 2010 it was announced that a British sniper had shot 2 Taliban at a world record distance using an Accuracy International weapon system. This story was published worldwide and made it into the Guinness Book of Records. We had a lot of media interest as a result of this leading to additional sales. Our products have also been used in movies and TV drama series in the UK and USA as well as in video games and action toys.

By 2008 we had already added to our engineering resources and invested in engineering test equipment, including a high-speed camera, which is one of the fastest in Europe and invaluable in our development testing. Many people consider that rifle technology is a black art. We believe it is just a matter of fully understanding the designs and interactions of our product. Instead of black art we use data and analysis which relies on highly technical equipment and people with the capabilities to understand it.

Further sales resources were added starting in 2008 and in 2009 a new facility was opened in Fredericksburg, VA in the USA, thus becoming the head office for Accuracy International of North America Inc. The US market had always been a target for the company but a physical presence with manufacturing and assembly capabilities in the USA is the real route into that market, rather than just a distribution centre, which had been tried before and failed.

In 2010 we started a program of facility expansion as we had by then outgrown our single building in Portsmouth, UK. We leased Chassis Systems, an 8,500 sq.ft. building 0.5 miles away from the main facilities, and relocated all activities associated with the rifle chassis, along with the press cell and tool room. The parts produced at Chassis Systems are made not

ACCURACY INTERNATIONAL LIMITED

STRATEGIC REPORT (continued)

only for AI rifles but are sold to other rifle makers too. In 2011, after Chassis Systems was fully operational we commenced the renovation of the machine shop in the main building. This was a significant project and caused major disruption to the business during 2011. Whilst we were able to prepare Chassis Systems in advance of the required move and the only disruption to the business was the time to move equipment and people in, the main facility machine shop renovation required the demolition of several areas in order to maximize the available space and had to be completed in stages. Manufacturing was disrupted for most of the year however the net result is a much larger machine shop area with space to add capacity in future years, should it be necessary. A second shift was also introduced in Chassis Systems in 2012 generating additional capacity should demand require it.

The completion of the office, reception and meeting room areas March 2013 was followed by a distributors and agents meeting in April. This was the first time such a meeting had been held and it involved all of our distributors and the majority of our agents over a 3-day period, with different groups visiting on each day. We showed all of the new facilities and presented new products intended to replace the AE, AW and AX by the beginning of January 2014. We also presented engineering design and development processes and people as well as manufacturing processes and people. Particular focus was on production improvement with a prediction that all outstanding orders would be fulfilled in 2013. No further building expansion is planned for the foreseeable future in the UK.

In parallel with the building, equipment and workforce expansion we developed a range of new products. By 2009 our main products were approaching their obsolescence stage so a new range was necessary. During the next 4 years engineering was focused on the design and development of two new product ranges, the AT and AX. These replace the AE, in production since 2001, the AW, in production since 1991 and the AX, in production since 2010. The AT is a significant upgrade and life extension to the extremely successful AW, which will open new markets for the company. The new AX incorporates a collection of improvements based on lessons learned since the inception of the AX in 2010. The new products were development tested and planning was put in place to start making parts in 2013 ready for assembly and production in 2014.

A major press campaign was developed and the new product introduction was planned for the Shot Show in Las Vegas in January 2014.

A focus on process improvement, based on the principles of Six Sigma, accelerated at the start of 2013. We are now in the process of streamlining processes to stabilize and increase production, improve quality and reduce costs. The net result will be improved delivery, better quality and lower costs resulting in increased profitability. The effects of the improvements made to date are already in evidence as by the end of 2013 we had fulfilled all rifle and AICS orders due for delivery and doubled magazine output. The net result was a record sales year of just under £14 million; nearly double that of 2011 when we were constrained by facilities, equipment, people and processes.

In AINA we exceeded \$10 million in sales reaching a target we set in 2008 to achieve \$10 million annual sales within 5 years.

The future of Accuracy International is based on continually improving our products and processes to ensure we are the market leader in the production of sniper rifles, worldwide. We are proactively going to the market to understand the customer needs and positioning ourselves to win major military contracts. We have a range of products, which meet the

ACCURACY INTERNATIONAL LIMITED

STRATEGIC REPORT (continued)

market needs of Law Enforcement and civilians and aim to grow our market share in those areas.

The order book at the end of 2013 was healthy with a major order from Indonesia valued at £3.25 M for delivery in 2014 and 2015.

KPI's

	2013	2012
Return on capital employed	21%	15%
Gross margin	38%	40%
Operating profit percentage	12%	10%
Long term debt:equity ratio	0.07	0.13
Collection days	51	48
Purchases as a percentage of sales	40%	44%

Approved by the board of directors
and signed on behalf of the board



Thomas Irwin
Director

16/6/14

ACCURACY INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2013.

Company's registered number

The company's registered number is 05375397.

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by closely monitoring levels of debt whilst cash levels are reviewed on a weekly basis.

Price risk

The group is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services it purchases. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The group endeavours to limit its exposure to credit risk through the use of in-country agents and letters of credit where deemed appropriate. The amount of exposure to any individual counterparty is assessed on a case by case basis by the board.

Liquidity risk

The group actively maintains a mixture of long-term debt finance and cash funds that is designed to ensure the group has sufficient available funds for operations and planned expansions.

Results for the year

The profit for the year after taxation was £1,335,182 (2012: profit £754,443).

Directors

The directors of the company who served throughout the year are:

Thomas Irwin
David Walls

ACCURACY INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the group's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the group's auditors were aware of that information.

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

Auditors

The current auditors, Nexia Smith & Williamson, are deemed to be reappointed as auditors.

**Approved by the board of directors
and signed on behalf of the board**



Thomas Irwin
Director

16/6/14

ACCURACY INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic 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). 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 parent company and of the group and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 group and the parent 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.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCURACY INTERNATIONAL LIMITED

We have audited the financial statements of Accuracy International Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, and the related notes 1 to 24. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are 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

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 parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Nexia Smith & Williamson

Matters on which we are required to report by exception

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

Nexia Smith & Williamson

16th June 2014

Andrew Edmonds
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Imperial House
18-21 Kings Park Road
Southampton
SO15 2AT

ACCURACY INTERNATIONAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT *for the year ended 31 DECEMBER 2013*

	Notes	2013 £	2012 £
Turnover	2	13,867,150	9,921,610
Cost of sales		<u>(8,650,111)</u>	<u>(5,956,068)</u>
Gross profit		5,217,039	3,965,542
Administrative expenses		<u>(3,577,084)</u>	<u>(2,965,443)</u>
Operating profit		1,639,955	1,000,099
Other interest receivable and similar income	6	1,258	18,799
Interest payable and similar charges	7	<u>(48,652)</u>	<u>(30,189)</u>
Profit on ordinary activities before taxation	3	1,592,561	988,709
Tax on profit on ordinary activities	8	<u>(257,379)</u>	<u>(234,266)</u>
Profit for financial year after taxation	18	1,335,182	754,443

The results in both the current and previous year relate to continuing operations.

A statement of movement on reserves is given in note 18.

ACCURACY INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET at 31 December 2013

	Note	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	10		2,972,915		3,003,803
			<u>2,972,915</u>		<u>3,003,803</u>
Current assets					
Stocks	12	2,629,497		2,933,994	
Debtors	13	2,542,872		2,078,974	
Cash at bank and in hand		1,807,104		1,594,892	
		<u>6,979,473</u>		<u>6,607,860</u>	
Creditors: amounts falling due within one year	14	<u>(2,203,426)</u>		<u>(2,918,621)</u>	
Net current assets			4,776,047		3,689,239
Total assets less current liabilities			<u>7,748,962</u>		<u>6,693,042</u>
Creditors: amounts falling due after more than one year	15		(468,382)		(752,990)
Provisions for liabilities	16		(98,083)		(87,012)
Net assets			<u>7,182,497</u>		<u>5,853,040</u>
Capital and reserves					
Called up share capital	17		60,000		60,000
Capital redemption reserve	18		530,001		530,001
Profit and loss account	18		6,592,496		5,263,039
Shareholders' funds			<u>7,182,497</u>		<u>5,853,040</u>

The financial statements were approved and authorised for issue by the Board of Directors on 16/6/14 and were signed on its behalf by:



Thomas Irwin
Director

ACCURACY INTERNATIONAL LIMITED

COMPANY BALANCE SHEET at 31 December 2013

	Note	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	10		2,918,298		2,922,132
Investments	11		50,000		50,000
			<hr/>		<hr/>
			2,968,298		2,972,132
Current assets					
Stocks	12	2,091,740		2,406,516	
Debtors: amounts falling due within one year	13	1,406,352		1,202,283	
Debtors: amounts falling due after more than one year	13	2,203,880		2,048,381	
Cash at bank and in hand		1,710,209		1,518,863	
		<hr/>		<hr/>	
		7,412,181		7,176,043	
Creditors: amounts falling due within one year	14	(1,953,091)		(2,602,786)	
		<hr/>		<hr/>	
Net current assets			5,459,090		4,573,257
			<hr/>		<hr/>
Total assets less current liabilities			8,427,388		7,545,389
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	15		(468,382)		(752,990)
Provisions for liabilities	16		(98,083)		(87,012)
			<hr/>		<hr/>
Net assets			7,860,923		6,705,387
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17	60,000		60,000	
Capital redemption reserve	18	530,001		530,001	
Profit and loss account	18	7,270,922		6,115,386	
		<hr/>		<hr/>	
Shareholders' funds			7,860,923		6,705,387
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on behalf by:

16/6/14

and were signed on its



Thomas Irwin
Director

ACCURACY INTERNATIONAL LIMITED

CONSOLIDATED CASH FLOW STATEMENT *for the year ended 31 December 2013*

	<i>Note</i>	2013 £	2012 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		1,639,955	1,000,099
Depreciation charges		404,764	378,682
Decrease/(increase) in stocks		304,497	(687,490)
Increase in debtors		(463,898)	(358,078)
(Decrease)/increase in creditors		(512,605)	1,087,097
Increase in provisions		-	20,822
Net cash inflow from operating activities		1,372,713	1,441,132
Cash flow statement			
Cash flow from operating activities		1,372,713	1,441,132
Returns on investments and servicing of finance	20	(47,394)	(11,390)
Taxation		(466,510)	993
Capital expenditure and financial investment	20	(373,876)	(980,118)
Cash inflow before management of liquid resources and financing		484,933	450,617
Financing	20	(266,996)	178,939
Increase in cash in the period		217,937	629,556
Reconciliation of net cash flow to movement in net funds			
	22		
Increase in cash in the period		217,937	629,556
Cash to repay debt		266,996	(178,939)
Change in net funds resulting from cash flows		484,933	450,617
Effect of foreign exchange rate changes		(5,725)	18,919
Movement in net funds in the period		479,208	469,536
Net funds at the start of the period		564,342	94,806
Net funds at the end of the period		1,043,550	564,342

ACCURACY INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31st December 2013

	2013 £	2012 £
Profit for the financial year		
Group	1,335,182	754,443
Net exchange differences on the retranslation of net investments	(5,725)	18,919
Total recognised gains and losses relating to the financial year	1,329,457	773,362

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013

1 Accounting policies

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practices. A summary of the more important accounting policies adopted are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of Accuracy International Limited and its subsidiary undertaking drawn up to 31 December each year. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

As permitted by section 408(3) of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £1,155,536 (2012: £1,027,104).

Going concern

Based on group profit for the year of £1,335,182 and group net assets of £7,182,497 (company net assets: £7,860,923) the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The useful life is estimated at 5 years.

Fixed assets

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used on a straight line basis:

Freehold buildings	-	50 years	(2% per annum)
Leasehold buildings & fixtures	-	10 years	(10% per annum or life of lease)
Fixtures, fittings, tools and equipment	-	5 years	(20% per annum)
Plant & machinery	-	5 years	(20% per annum)

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Any assets and liabilities recognised have not been discounted.

Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Any outstanding amounts at the period end are presented within creditors.

Leases

Assets held under finance leases are included in fixed assets and the capital element of the related lease commitment is shown as obligations under finance leases within creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit over the period of the lease.

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these transactions are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. In determining the cost of raw materials, consumables and goods purchased for resale, the standard cost is used, being the purchase price and an appropriate proportion of attributable overhead. Net realisable value represents the estimated selling price less the estimated costs of disposal.

Revenue

Revenue is measured at the fair value of the right to consideration and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, FET and VAT.

Sales of goods are recognised on despatch of goods.

Revenue arising from the provision of services is recognised when and to the extent that the Group obtains the right to consideration in exchange for the performance of its contractual obligations.

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

2	Turnover	2013	2012
	Group	£	£
	United Kingdom	2,358,385	1,720,150
	USA	6,605,771	3,455,459
	Rest of the World	4,902,994	4,746,001
		<hr/>	<hr/>
		13,867,150	9,921,610
		<hr/>	<hr/>
	Company	2013	2012
		£	£
	United Kingdom	2,358,385	1,720,150
	USA	4,047,168	2,068,685
	Rest of the World	4,902,994	4,746,000
		<hr/>	<hr/>
		11,308,547	8,534,835
		<hr/>	<hr/>

3 Notes to the profit and loss account

	2013	2012
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible and fixed assets:		
Owned	370,996	353,321
Leased	33,768	25,361
Research and development expenditure	40,991	31,348
<i>Auditors' remuneration:</i>		
Audit of these financial statements	18,500	17,600
Other services relating to taxation	5,511	5,490

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

4	Remuneration of directors	2013	2012
		£	£
	Directors' emoluments	869,797	580,286
		<hr/>	<hr/>
	Company pension contributions to defined contribution schemes	11,346	10,746
		<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £441,109 (2012: £310,265) including pension contributions of £11,346 (2012: £10,746).

During the year, retirement benefits were accruing to 1 Director (2012:1) in respect of defined contribution pension schemes.

5 Employee information

The average number of persons, including directors, employed by the group during the year was:

	2013	2012
	Number	Number
Overhead	21	20
Direct	47	39
	<hr/>	<hr/>
	68	59
	<hr/>	<hr/>
	£	£
Staff costs for the above persons were:		
Wages and salaries	2,874,250	2,254,369
Social security costs	259,337	210,490
Other pension costs	41,905	35,635
	<hr/>	<hr/>
	3,175,492	2,500,494
	<hr/>	<hr/>

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

6 Other interest receivable and similar income

	2013	2012
	£	£
Net exchange gains	-	11,672
Interest receivable	1,258	7,127
	<u>1,258</u>	<u>18,799</u>

7 Interest payable and similar charges

	2013	2012
	£	£
On bank loans and overdrafts	28,739	27,401
Finance charges payable in respect of finance leases and hire purchase contracts	5,019	2,788
Net exchange losses	14,894	-
	<u>48,652</u>	<u>30,189</u>

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

8 Taxation

Analysis of charge in period

	2013		2012
	£	£	£
<i>UK corporation tax</i>			
Current tax on income for the period	245,913		283,959
Adjustments in respect of prior years	395		(38,243)
Total current tax		246,308	245,716
<i>Deferred tax (see note 16)</i>			
Origination/reversal of timing differences	23,278		(10,480)
Adjustment in respect of previous years	(4,110)		5,697
Effect of tax rate change on opening balance	(8,097)		(6,667)
Total deferred tax		11,071	(11,450)
Tax on profit on ordinary activities		257,379	234,266

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2012: higher) than the standard rate of corporation tax in the UK 23.25 % (2012: 24.5%). The differences are explained below.

	2013	2012
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,592,561	988,709
Current tax at 23.25% (2012: 24.5%)	370,216	242,207
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5,322	2,655
Other timing differences	(92,576)	(42,305)
Net difference between capital allowances and depreciation	(18,560)	23,095
Adjustments to tax charge in respect of prior years	395	(38,243)
Unrecognised (Profit)/losses relating to Accuracy International of North America	(18,489)	58,307
Total current tax charge (see above)	246,308	245,716

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

9 Intangible fixed assets

	Goodwill
	£
At beginning of year	129,839
	<hr/>
At end of year	129,839
	<hr/>
<i>Amortisation</i>	
At beginning of year	(129,839)
Charged in year	-
	<hr/>
At end of year	(129,839)
	<hr/>
<i>Net book value</i>	
At 31 December 2013	-
	<hr/>
At 31 December 2012	-
	<hr/>

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

10 Tangible fixed assets

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<i>Cost</i>				
At beginning of year	2,431,172	1,322,330	546,424	4,299,926
Additions	18,285	223,556	132,410	374,251
Disposals	-	(10,495)	-	(10,495)
At end of year	2,449,457	1,535,391	678,834	4,663,682
<i>Depreciation</i>				
At beginning of year	264,714	789,427	241,982	1,296,123
Charge for year	91,835	205,446	107,483	404,764
Disposals	-	(10,120)	-	(10,120)
At end of year	356,549	984,753	349,465	1,690,767
<i>Net book value</i>				
At 31 December 2013	2,092,908	550,638	329,369	2,972,915
At 31 December 2012	2,166,458	532,903	304,442	3,003,803

Included in the total net book value of plant and machinery is £109,710 (2012: £143,478) in respect of assets held under finance leases or hire purchase contracts. Depreciation for the year on these assets was £33,768 (2012: £25,361). The finance leases all relate to the company.

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

10 Tangible fixed assets (continued)

Company	Land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At beginning of year	2,366,311	1,314,074	458,357	4,138,742
Additions	19,072	223,656	127,248	369,976
Disposals	-	(10,495)	-	(10,495)
At end of year	2,385,383	1,527,235	585,605	4,498,223
Depreciation				
At beginning of year	222,066	787,677	206,867	1,216,610
Charge for year	79,538	203,767	90,130	373,435
Disposals	-	(10,120)	-	(10,120)
At end of year	301,604	981,324	296,997	1,579,925
Net book value				
At 31 December 2013	2,083,779	545,911	288,608	2,918,298
At 31 December 2012	2,144,245	526,397	251,490	2,922,132

11 Fixed asset investments

The undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertaking			
Accuracy International North America	USA	Sale of weapons and related products	100% Ordinary

The carrying cost of this investment was £50,000 (2012:£50,000)

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

12 Stocks

	Group 2013	2012	Company 2013	2012
	£	£	£	£
Work in progress	202,827	182,150	188,120	157,050
Finished goods and raw materials	2,426,670	2,751,844	1,903,620	2,249,466
	2,629,497	2,933,994	2,091,740	2,406,516

13 Debtors: amounts falling due within one year

	Group 2013	2012	Company 2013	2012
	£	£	£	£
Trade debtors	2,273,777	1,822,117	1,230,032	977,481
Other debtors	71,275	135,173	70,175	135,173
Prepayments and accrued income	197,820	121,684	106,145	89,629
	2,542,872	2,078,974	1,406,352	1,202,283

Debtors: amounts falling due after one year

Amounts due from group companies	-	-	2,203,880	2,048,381
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ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013

(continued)

14 Creditors: amounts falling due within one year

	Group 2013 £	2012 £	Company 2013 £	2012 £
Bank loans and overdrafts	242,771	227,520	242,771	227,520
Obligations under finance leases and hire purchase contracts	52,400	50,039	52,400	50,039
Payments received on account	150,185	252,519	149,241	252,519
Trade creditors	1,070,658	1,494,268	922,795	1,260,065
Taxation and social security	224,905	411,610	154,474	376,330
Other creditors	50,613	35,385	46,816	35,385
Accruals and deferred income	411,894	447,280	384,594	400,928
	<u>2,203,426</u>	<u>2,918,621</u>	<u>1,953,091</u>	<u>2,602,786</u>

15 Creditors: amounts falling due after more than one year

	Group 2013 £	2012 £	Company 2013 £	2012 £
Bank loans and overdrafts	436,724	668,930	436,724	668,930
Obligations under Finance leases	31,658	84,060	31,658	84,060
	<u>468,382</u>	<u>752,990</u>	<u>468,382</u>	<u>752,990</u>

The maturity of obligations under finance leases contracts is as follows:

	Group 2013 £	2012 £	Company 2013 £	2012 £
Within one year	52,400	50,039	52,400	50,039
Between one and five years	31,659	84,060	31,659	84,060
	<u>84,059</u>	<u>134,099</u>	<u>84,059</u>	<u>134,099</u>

The maturity of obligations under the bank loan is as follows:

	Group 2013 £	2012 £	Company 2013 £	2012 £
Repayable by instalments:				
Within one year	242,771	227,520	242,771	227,520
In the second to fifth years	420,221	586,383	420,221	586,383
Over five years	16,502	82,547	16,502	82,547
	<u>679,494</u>	<u>896,450</u>	<u>679,494</u>	<u>896,450</u>

The bank loans are secured against the land and property at Sharps Close, Portsmouth. The US dollar loan is payable over 9 years at an interest rate of 2.125% pa above LIBOR and the sterling loan is payable over 3 years at an interest rate of 3.25% pa over LIBOR.

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

16 Provisions for liabilities

	Provision for reinstatement £	Deferred taxation £	Total £
Group and Company			
At beginning of year	20,822	66,190	87,012
Charge to the profit and loss account	-	11,071	11,071
At end of year	20,822	77,261	98,083

All the deferred tax relates to the difference between accumulated depreciation and amortisation and capital allowances. All deferred tax is held within Accuracy International Ltd.

The company has made a provision for expected dilapidations, being a time-based proportion of the best estimate of the expected cost of returning the buildings to their original condition at the end of the lease.

17 Called up share capital

Group and Company	2013 £	2012 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
10 % cumulative redeemable preference shares of £1 each	750,000	750,000
	850,000	850,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	60,000	60,000

18 Reserves and movement in shareholder funds

Group	Share Capital £	Capital Redemption Reserve £	Profit & loss account £	Total £
At beginning of year	60,000	530,001	5,263,039	5,853,040
Profit for the year	-	-	1,335,182	1,335,182
Exchange adjustments	-	-	(5,725)	(5,725)
At end of year	60,000	530,001	6,592,496	7,182,497

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

18 Reserves and movement in shareholder funds (continued)

Company	Share Capital	Capital Redemption Reserve	Profit & loss account	Total
	£	£	£	£
At beginning of year	60,000	530,001	6,115,386	6,705,387
Profit for the year	-	-	1,155,536	1,155,536
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	60,000	530,001	7,270,922	7,860,923
	<hr/>	<hr/>	<hr/>	<hr/>

19 Operating Lease Commitments

Group and Company

	Land & Buildings	
	2013	2012
	£	£
For leases expiring:		
Within two to five years	16,725	16,822
Over five years	61,000	61,000
	<hr/>	<hr/>
	77,725	77,822
	<hr/>	<hr/>

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

20 Analysis of cash flows

	2013 £	2013 £	2012 £	2012 £
Returns on investment and servicing of finance				
Interest received	1,258		7,126	
Interest paid	(43,633)		(15,728)	
Interest element of finance lease rental payments	(5,019)		(2,788)	
		(47,394)		(11,390)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(374,251)		(980,118)	
Sale of plant and machinery	375		-	
		(373,876)		(980,118)
Financing				
Repayment of loans	(266,996)		(156,397)	
New loans	-		201,237	
Cash inflow from financing loans	-		134,099	
		(266,996)		178,939

21 Pension scheme

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £41,905 (2012: £35,635).

Contributions amounting to £nil (2012: £nil) were outstanding at the year end.

ACCURACY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2013 (continued)

22 Analysis of net funds

	At beginning of year £	Cash flow £	Other non cash changes £	Translation differences £	At end of year £
Cash in hand, at bank	1,594,892	217,937	-	(5,725)	1,807,104
Debt due after one year	(668,930)	47,956	184,250	-	(436,724)
Debt due within one year	(227,521)	169,000	(184,250)	-	(242,771)
Finance leases	(134,099)	50,040	-	-	(84,059)
Total	564,342	484,933	-	(5,725)	1,043,550

23 Controlling party

The Company is privately owned and has no overall controlling shareholder.

24 Related Party Transactions

The company has taken advantage of the exemptions contained in FRS 8 "Related Party Transactions" by not disclosing transactions with wholly-owned members of the group.