

A.B. PRECISION (POOLE) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



A.B. PRECISION (POOLE) LIMITED

COMPANY INFORMATION

DIRECTOR J G Harris

REGISTERED NUMBER 00889363

REGISTERED OFFICE Unit 15c Blackpole East
Blackpole Road
Worcester
WR3 8YB

INDEPENDENT AUDITORS Bishop Fleming LLP
Chartered Accountants & Statutory Auditors
1-3 College Yard
Worcester
WR1 2LB

A.B. PRECISION (POOLE) LIMITED

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A.B. PRECISION (POOLE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The director presents his strategic report together with the audited financial statements for the year ended 31 March 2020.

Principal activities

During the year the principal activities of the company continued to include the design and manufacture of Explosive Ordnance Disposal ("EOD") and defence support equipment ("Defence and Security Systems"). The company ceased its operations in the design and manufacture of automation equipment in the prior year.

Review of business and future developments

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

Sales for the year from continuing operations were £4,796,113, an increase on the previous year of 71% (2019: £2,807,915).

This increase in sales and an improvement in gross profit lead to a reduced loss of £805,585 a significant improvement over the prior year (2019: loss of £2,406,230).

In addition to the sales growth there were a number of notable achievements in the year, the largest being a refresh of the product range of Unmanned Ground Vehicles ("UGV") with the launch of the brand new Archer product and a major upgrade of the Guardian Robot. These products will form the core of the company's robot sales over the coming years and delivered sales in excess of £1m in the first month of the current financial year with further sales in the pipeline. These products are the latest example of the three decades worth of advancements pioneered by the company in the EOD sector that now sees the ABP brand as a market leader and source of continuing technical and product excellence.

The current financial year has seen strong sales despite the impact of COVID19 with sales in the first 5 months of £2.9m already exceeding 60% of the prior years' full year total and with the latest forecast indicating the second half output will be higher than the first half driving a return to sustainable profitability for the company.

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.

COVID-19

The impact of COVID-19 on the business has been significant but short lived. The primary focus of the director and management was the safety and wellbeing of its employees and business partners in the UK and overseas. During the initial lockdown in March 2020 the company closed its UK factory to all but essential staff and maintained a minimum team on site to provide customer support and where appropriate finish off key jobs needed by the customers. This closure allowed the management to address working practices and develop a phased return to work in a COVID-19 safe way. This return to work plan commenced in May 2020 and was largely complete by the end of June. At the date of signing these accounts the company is now operating at full capacity. A key aspect of the plan has been skills retention and the decision taken early to maintain the workforce in full and on full pay during the shutdown despite the loss of revenue. The company has built its team up over many years and therefore took a long-term view that this short-term investment in its people was for the long-term benefit of the company.

As COVID-19 is a worldwide pandemic the impact of the virus was not restricted to the company but disruption was seen throughout the customer and supplier base. This disruption manifested itself primarily through delay. Delays were seen in the customer purchasing decisions, administration and logistics and similar effects in the supply chain. Despite this disruption the company has not seen any significant cancellations of future projects as a result of the virus but the typical project time line has slipped by 2-3 months which largely coincided with the company's own period of disruption. Despite this the market for the company's products remains strong and the level of quoting for new projects remains high resulting in a positive outlook for the future.

Funding and going concern

In February 2020 the company, along with other related parties, provided security and a cross guarantee for a third-party finance facility to a related party. The facility of £5m was subsequently extended to £5.5m in August 2020 and was fully drawn down at the time of signing these accounts and therefore represents a contingent liability of the company at the date of signing these accounts.

At the balance sheet date the company had the following facilities:

1. A related party loan of £3.1m. This loan was used to repay an external third-party facility previously held by the company and to provide working capital and bridging finance through the COVID-19 disruption. The loan is interest bearing at commercial rates and has no fixed repayment schedule. The company plans to repay this facility over the next three to five years out of the profits generated from its trade. The related party has committed further funding, initially up to £0.2m to support near term cash fluctuations in the business.
2. £160k in specific bank guarantees to support the commercial activities of the company. These guarantees are fully secured by cash deposits held by the bank.

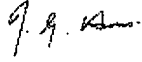
The director has prepared a detailed profit and cash flow forecast ("the forecast") for the company for the period to 30 September 2021 ("the period"). The forecast reflects an order book 31 August 2020 of £2.8m and forecast turnover for the Defence & Security business in excess of £9m for the year to 31 March 2021. The forecast also shows a return to sustainable profitability over the period. The forecast indicates no additional external funding requirement for the period beyond the facilities already in place and that the company can service the scheduled interest of the related party facility during the period. The related party company has confirmed that none of the amounts due to them and existing as at the date of approval of these financial statements will be due for repayment for at least the period to 30 September 2021 unless such payments can be reasonably afforded by the company or unless alternative funding arrangements to replace all or part of the related party funding are entered into by the company. The forecast shows that the facilities in place provide sufficient funding to the company to operate and meet its debts as they fall due for payment for the period to 30 September 2021.

On the bases noted above the director considers that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include the adjustments that would be necessary if the company is not able to achieve its forecasts or is unable to continue as a going concern.

A.B. PRECISION (POOLE) LIMITED

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

This report was approved by the board on **16 October 2020** and signed on its behalf.



J G Harris
Director

A.B. PRECISION (POOLE) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2020

The director presents his report and the financial statements for the year ended 31 March 2020.

DIRECTOR'S RESPONSIBILITIES STATEMENT

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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 to 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.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £805,585 (2019:loss of £2,312,211).

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

DIRECTOR

The director who served during the year was:

J G Harris

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.

ENGAGEMENT WITH EMPLOYEES

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

A.B. PRECISION (POOLE) LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

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.

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.

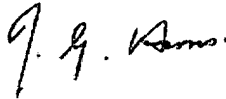
POST BALANCE SHEET EVENTS

Other than noted in the Strategic Report and the notes to the financial statements, there have been no significant events affecting the company since the year end.

AUDITORS

BDO LLP resigned as auditors during the year and Bishop Fleming LLP were appointed in their place. Bishop Fleming LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



J G Harris
Director

Date: **16 October 2020**

Unit 15c Blackpole East
Blackpole Road
Worcester
WR3 8YB

A.B. PRECISION (POOLE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.B. PRECISION (POOLE) LIMITED

OPINION

We have audited the financial statements of A.B. Precision (Poole) Limited (the 'company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.3 in the financial statements, which sets out the director's consideration over the going concern of the company. As stated in note 2.3, the significant challenges and uncertainties caused by the COVID pandemic indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The director is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

A.B. PRECISION (POOLE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.B. PRECISION (POOLE) LIMITED (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 the 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 the Director's Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Director's Responsibilities Statement on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

A.B. PRECISION (POOLE) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.B. PRECISION (POOLE) LIMITED
(CONTINUED)**

USE OF OUR REPORT

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



Andrew Wood FCCA (Senior statutory auditor)
for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
1-3 College Yard
Worcester
WR1 2LB
Date: 30th October 2020

A.B. PRECISION (POOLE) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	Continuing operations 2020 £	Discontinued operations 2020 £	Total 2020 £	Continuing operations 2019 £	Discontinued operations 2019 £	Total 2019 £
Turnover	4	4,796,113	-	4,796,113	2,807,915	4,567,151	7,375,066
Cost of sales		(3,877,898)	-	(3,877,898)	(3,260,948)	(3,677,846)	(6,938,794)
GROSS PROFIT		918,215	-	918,215	(453,033)	889,305	436,272
Administrative expenses		(1,885,550)	-	(1,885,550)	(2,112,690)	(763,350)	(2,876,040)
Other operating income	5	28,143	-	28,143	-	-	-
OPERATING LOSS	6	(939,192)	-	(939,192)	(2,565,723)	125,955	(2,439,768)
Interest receivable and similar income	9	41,719	-	41,719	122,999	-	122,999
Interest payable and expenses	10	(453,669)	-	(453,669)	(468,045)	(12,222)	(480,267)
LOSS BEFORE TAX		(1,351,142)	-	(1,351,142)	(2,910,769)	113,733	(2,797,036)
Tax on loss	11	545,557	-	545,557	504,539	(19,714)	484,825
LOSS FOR THE FINANCIAL YEAR		(805,585)	-	(805,585)	(2,406,230)	94,019	(2,312,211)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019: £Nil).

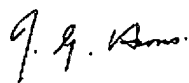
The notes on pages 12 to 27 form part of these financial statements.

A.B. PRECISION (POOLE) LIMITED
REGISTERED NUMBER:00889363

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 £	2020 £	2019 £	2019 £
FIXED ASSETS					
Tangible assets	12		87,776		127,865
CURRENT ASSETS					
Stocks	13	2,437,429		1,732,057	
Debtors: amounts falling due within one year	14	2,185,924		5,675,516	
Cash at bank and in hand	15	486,045		34,148	
		<u>5,109,398</u>		<u>7,441,721</u>	
Creditors: amounts falling due within one year	16	(5,882,329)		(7,464,221)	
NET CURRENT LIABILITIES			<u>(772,931)</u>		<u>(22,500)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(685,155)</u>		<u>105,365</u>
PROVISIONS FOR LIABILITIES					
Other provisions	18		(127,217)		(112,152)
NET LIABILITIES			<u>(812,372)</u>		<u>(6,787)</u>
CAPITAL AND RESERVES					
Called up share capital	19		13,755		13,755
Profit and loss account	20		(826,127)		(20,542)
			<u>(812,372)</u>		<u>(6,787)</u>

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



J G Harris
 Director

Date: **16 October 2020**

The notes on pages 12 to 27 form part of these financial statements.

A.B. PRECISION (POOLE) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2018	13,755	2,291,669	2,305,424
COMPREHENSIVE INCOME FOR THE YEAR			
Loss for the year	-	(2,312,211)	(2,312,211)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(2,312,211)	(2,312,211)
At 1 April 2019	13,755	(20,542)	(6,787)
COMPREHENSIVE INCOME FOR THE YEAR			
Loss for the year	-	(805,585)	(805,585)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(805,585)	(805,585)
AT 31 MARCH 2020	13,755	(826,127)	(812,372)

The notes on pages 12 to 27 form part of these financial statements.

A.B. PRECISION (POOLE) LIMITED

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

1. GENERAL INFORMATION

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.

During the year the principal activities of the company continued to include the design and manufacture of Explosive Ordnance Disposal ("EOD") and defence support equipment ("Defence and Security Systems"). The company ceased its operations in the design and manufacture of automation equipment in the prior year.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The financial statements are prepared in Sterling, which is the presentation and functional currency of the company, and are 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 judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions in 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 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 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of AB Precision Holdings Limited as at 31 March 2020 and these financial statements may be obtained from c/o Shakespeare Martineau LLP, 1 Colemore Square, Birmingham, B4 6AA.

A.B. PRECISION (POOLE) LIMITED

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

2. ACCOUNTING POLICIES (continued)

2.3 GOING CONCERN

In February 2020 the company, along with other related parties, provided security and a cross guarantee for a third-party finance facility to a related party. The facility of £5m was subsequently extended to £5.5m in August and was fully drawn down at the time of signing these accounts and therefore represents a contingent liability of the company at the date of signing these accounts.

At the balance sheet date the company had the following facilities:

1. A related party loan of £3.1m. This loan was used to repay an external third-party facility previously held by the company and to provide working capital and bridging finance through the COVID-19 disruption. The loan is interest bearing at commercial rates and has no fixed repayment schedule. The company plans to repay this facility over the next three to five years out of the profits generated from its trade. The related party has committed further funding, initially up to £0.2m to support near term cash fluctuations in the business.
2. £160k in specific bank guarantees to support the commercial activities of the company. These guarantees are fully secured by cash deposits held by the bank.

The director has prepared a detailed profit and cash flow forecast ("the forecast") for the company for the period to 30 September 2021 ("the period"). The forecast reflects an order book 31 August 2020 of £2.8m and forecast turnover for the Defence & Security business in excess of £9m for the year to 31 March 2021. The forecast also shows a return to sustainable profitability over the period. The forecast indicates no additional external funding requirement for the period beyond the facilities already in place and that the company can service the scheduled interest of the related party facility during the period. The related party company has confirmed that none of the amounts due to them and existing as at the date of approval of these financial statements will be due for repayment for at least the period to 30 September 2021 unless such payments can be reasonably afforded by the company or unless alternative funding arrangements to replace all or part of the related party funding are entered into by the company. The forecast shows that the facilities in place provide sufficient funding to the company to operate and meet its debts as they fall due for payment for the period to 30 September 2021.

Like with many businesses during 2020, the company has been impacted directly and indirectly by the COVID pandemic. The initial 'wave' in the UK has now passed but caused significant disruption to the business, including a pause in trading between the end of March 2020 and May 2020. The Director and management have taken robust steps to mitigate the impact of the pandemic but this has significantly impacted on the trading results during this time and delayed certain sales which have impacted on the trading results for the first quarter of the current year. The future impact of the pandemic on the company, and the wider economic environment remains uncertain.

The Director remains of the view that the forecast results are achievable and that the headroom within the forecast should be sufficient to enable the company to operate and meet its liabilities as they fall due. The Director also considers there is sufficient funding available to the company.

Whilst, as stated above, the Director is confident regarding future trading and considers the company has sufficient funding to continue trading for the foreseeable future, there still is an inherent risk of significant disruption due to COVID, and other factors, to internal operations, supply chains and the sectors in which the company operates. These conditions indicate that a material uncertainty exists which may cast doubt on the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The financial statements do not reflect the adjustments that would be necessary should the company be unable to continue as a going concern.

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

2. ACCOUNTING POLICIES (continued)

2.4 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 assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.5 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.

2.6 OPERATING LEASES: THE COMPANY AS LESSEE

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

2.7 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.

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

2. ACCOUNTING POLICIES (continued)

2.8 GOVERNMENT GRANTS

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

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

2.9 INTEREST INCOME

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

2.10 FINANCE COSTS

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

2.11 BORROWING COSTS

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

2.12 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

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

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

2.13 TAXATION

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

A.B. PRECISION (POOLE) LIMITED

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

2. ACCOUNTING POLICIES (continued)

2.14 TANGIBLE FIXED ASSETS

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

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:

Leasehold property	- over the life of the lease
Plant and machinery	- 4 to 10 years

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

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

2.15 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 reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.16 DEBTORS

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

2.17 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.

2.18 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.

A.B. PRECISION (POOLE) LIMITED

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

2. ACCOUNTING POLICIES (continued)

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

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

2.20 FINANCIAL INSTRUMENTS

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties 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.

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

**3. JUDGEMENTS 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 judgements 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 judgements/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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

4. 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:

	2020 £	2019 £
United Kingdom	1,722,498	2,155,871
Rest of Europe	506,588	935,203
Rest of the world	2,567,027	4,283,992
	<u>4,796,113</u>	<u>7,375,066</u>

5. OTHER OPERATING INCOME

	2020 £	2019 £
Government grants receivable	<u>28,143</u>	<u>-</u>

6. OPERATING LOSS

The operating loss is stated after charging:

	2020 £	2019 £
Research & development	-	464,717
Depreciation of tangible fixed assets	59,751	89,423
Exchange differences	(6,247)	34,112
Defined contribution pension cost	91,097	123,920
Operating lease charges - land and buildings	153,714	169,250
Operating lease charges - other	47,192	47,691
	<u>47,192</u>	<u>47,691</u>

7. AUDITORS' REMUNERATION

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>16,500</u>	<u>39,725</u>

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

A.B. PRECISION (POOLE) LIMITED

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

8. EMPLOYEES

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	2,058,862	3,014,923
Social security costs	220,676	307,688
Cost of defined contribution scheme	91,097	123,920
	<u>2,370,635</u>	<u>3,446,531</u>

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

	2020 No.	2019 No.
Manufacturing	45	64
Administration, selling, distribution and assembly	8	10
	<u>53</u>	<u>74</u>

9. INTEREST RECEIVABLE

	2020 £	2019 £
Interest receivable from group companies	29,949	119,820
Other interest receivable	11,770	3,179
	<u>41,719</u>	<u>122,999</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £	2019 £
Bank interest payable	16	1
Interest payable to group companies	293	13,429
Interest payable to related parties	182,881	10,567
Other loan interest payable	-	440,965
Other interest payable	270,479	15,305
	<u>453,669</u>	<u>480,267</u>

A.B. PRECISION (POOLE) LIMITED

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

11. TAXATION

	2020 £	2019 £
CORPORATION TAX		
Current tax on profits for the year	(285,048)	(153,725)
Adjustments in respect of previous periods	(260,509)	(331,100)
	<u>(545,557)</u>	<u>(484,825)</u>
TOTAL CURRENT TAX	<u><u>(545,557)</u></u>	<u><u>(484,825)</u></u>

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 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(1,351,142)</u>	<u>(2,797,036)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(256,717)	(531,437)
EFFECTS OF:		
Non-tax deductible amortisation of goodwill and impairment	3,264	9,439
Expenses not deductible for tax purposes	(122,652)	(159,360)
Adjustments to tax charge in respect of prior periods	(260,509)	(331,100)
Losses carried forward not recognised in deferred tax	91,057	527,633
TOTAL TAX CHARGE FOR THE YEAR	<u><u>(545,557)</u></u>	<u><u>(484,825)</u></u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are no factors impacting future tax charges.

A.B. PRECISION (POOLE) LIMITED

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

12. TANGIBLE FIXED ASSETS

	Leasehold property £	Plant and machinery £	Total £
COST OR VALUATION			
At 1 April 2019	432,726	567,557	1,000,283
Additions	-	19,662	19,662
Disposals	(31,217)	(94,276)	(125,493)
At 31 March 2020	<u>401,509</u>	<u>492,943</u>	<u>894,452</u>
DEPRECIATION			
At 1 April 2019	385,381	487,037	872,418
Charge for the year on owned assets	9,469	50,282	59,751
Disposals	(31,217)	(94,276)	(125,493)
At 31 March 2020	<u>363,633</u>	<u>443,043</u>	<u>806,676</u>
NET BOOK VALUE			
At 31 March 2020	<u>37,876</u>	<u>49,900</u>	<u>87,776</u>
At 31 March 2019	<u>47,345</u>	<u>80,520</u>	<u>127,865</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Long leasehold	37,876	47,345
	<u>37,876</u>	<u>47,345</u>

13. STOCKS

	2020 £	2019 £
Work in progress	2,072,090	1,390,607
Finished goods and goods for resale	365,339	341,450
	<u>2,437,429</u>	<u>1,732,057</u>

The carrying value of stocks are stated net of impairment losses totalling £366,220 (2019:£733,721). Impairment profits (2019: losses) totalling £367,501 (2019:£440,656) were recognised in profit and loss.

A.B. PRECISION (POOLE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020****14. DEBTORS**

	2020 £	2019 £
Trade debtors	457,491	582,213
Amounts owed by group undertakings	697,591	3,945,611
Amounts owed by related party undertakings	-	79,402
Other debtors	327,330	225,880
Corporation tax repayable	556,926	470,878
Prepayments and accrued income	146,586	371,532
	<u>2,185,924</u>	<u>5,675,516</u>

The amounts owed by group undertakings earn a commercial rate of 12% per annum.

The director considers the amount due from its parent company to be fully recoverable. It is expected that recovery can be achieved by the receipt of dividends payable by this company as it improves its profitability in future years.

15. CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash at bank and in hand	486,045	34,148

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Other loans	-	2,654,231
Trade creditors	873,867	1,659,926
Amounts owed to group undertakings	-	21,475
Amounts owed to related party undertakings	3,088,772	200,000
Other taxation and social security	126,117	633,295
Accruals and deferred income	1,793,573	2,295,294
	<u>5,882,329</u>	<u>7,464,221</u>

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

A.B. PRECISION (POOLE) LIMITED

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

17. LOANS

Analysis of the maturity of loans is given below:

	2020 £	2019 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Other loans	-	2,654,231
	<u>-</u>	<u>2,654,231</u>
	<u>-</u>	<u>2,654,231</u>

On 1 January 2018 AB Precision (Poole) Limited entered into a drawdown agreement with an external funding provider. The facility could be drawn up to £2,000,000. Interest was charged monthly at a rate of 1.35% against the maximum outstanding balance within the month. Included within other loans is the balance drawn down as at 31 March 2020 of £Nil (2019: £1,999,121).

Included within other loans are loans of £Nil (2019: £655,110) that relate to short term trade finance facilities which are repayable in 120 days.

The above facilities were fully repaid in February 2020.

18. PROVISIONS

	Provision for warranties £
At 1 April 2019	112,152
Charged to profit or loss	15,065
AT 31 MARCH 2020	<u>127,217</u>

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

	2020 £	2019 £
ALLOTTED, CALLED UP AND FULLY PAID		
13,755 (2019:13,755) Ordinary shares of £1.00 each	<u>13,755</u>	<u>13,755</u>

A.B. PRECISION (POOLE) LIMITED

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

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, Barclays 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 £160,744 (2019: £125,880).

In February 2020 the company, along with other related parties, provided security and a cross guarantee for a third-party finance facility to a related party. The facility of £5m was subsequently extended to £5.5m in August and was fully drawn down at the time of signing these accounts and therefore represents a contingent liability of the company at the date of signing these accounts.

The company had no previous cross guarantees in place. The providers of finance lease finance continues to have a charge over the assets related to that finance.

22. CAPITAL COMMITMENTS

At 31 March 2020 the company had capital commitments totalling £Nil (2019: £123,920).

23. PENSION COMMITMENTS

The company operates a defined contribution group personal pension scheme for the benefit of employees. The charge for the year was £91,097 (2019: £123,920). At the year end there was a pension creditor of £7,447 (2019: £14,351).

A.B. PRECISION (POOLE) LIMITED

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

24. COMMITMENTS UNDER OPERATING LEASES

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

	2020 £	2019 £
Land and buildings		
Not later than 1 year	145,000	169,250
Later than 1 year and not later than 5 years	435,000	-
	<u>580,000</u>	<u>169,250</u>
	2020 £	2019 £
Other		
Not later than 1 year	27,696	32,928
Later than 1 year and not later than 5 years	41,146	7,171
	<u>68,842</u>	<u>40,099</u>

25. DISCONTINUED OPERATIONS

In August 2018, the director decided to exit the Automation Equipment segment of the business and restructure its operations to solely focus upon the Defence & Security markets. The costs of this restructuring are recorded in the financial year to 31 March 2019.

26. RELATED PARTY TRANSACTIONS

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

During the year the company was charged £360,000 (2019: £720,000) in relation to management charges.

At 31 March 2020, the company was owed £Nil (2019: £79,402) from Horstman Defence Systems Limited, a related party company up to 16 April 2019.

At 31 March 2020, the company owed £Nil (2019: £100,000) to HWH Investments Limited, a related party company.

At 31 March 2020, the company owed £3,088,772 (2019: £100,000) to HW Machinery Limited, a related party company.

A.B. PRECISION (POOLE) LIMITED

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

27. 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.