

Company Registration No. 00110663 (England and Wales)

ASSOCIATED BRITISH ENGINEERING PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
3 APRIL 2017

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 3 APRIL 2017**

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The Directors' Report on pages 3 to 6 and the Directors' Remuneration Report on pages 60 to 62 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the directors for these reports is owed solely to Associated British Engineering plc.

The directors submit to the members their Report and Accounts for the Group for the period ended 3 April 2017. Pages 1 to 10 and 53 to 60, including the Financial Highlights, Chairman's Statement, Directors' Report, Strategic Report, Corporate Governance Report, Directors' Remuneration Report and the Directors, Registered Office and Advisers page form part of the Report of the Directors.

ASSOCIATED BRITISH ENGINEERING PLC

FINANCIAL HIGHLIGHTS

	2017	2016
	£'000	£'000
REVENUE	1,043	1,766
OPERATING LOSS	(906)	(568)
LOSS BEFORE TAXATION	(962)	(621)
NET ASSETS	1,020	1,485
BASIC LOSS PER 2.5p ORDINARY SHARE	(46.8p)	(29.9p)
EQUITY SHAREHOLDERS' FUNDS PER 2.5p ORDINARY SHARE	£0.50	£0.73

ASSOCIATED BRITISH ENGINEERING PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 3 APRIL 2017

The change we spoke about in 2016 has continued and as yet our business servicing the oil sector in the North Sea has not recovered and returned to previous levels. The disputes we spoke of last year in this area remain unresolved. The loss for the period has increased from £613,000 to £960,000 and some of this loss has been caused by the development of the Pz series of diesel engine.

British Polar Engines Ltd (BPE) our principal subsidiary continues to strive for new service and spares customers to compensate for the downturn in activity in the North Sea. BPE remains confident that over time they will be able to replace and exceed the lost sales and return the company to profitability. While we have to reluctantly acknowledge that this may take some time we remain confident that our products are competitive in price and value terms. BPE continues to address staffing issues, which are a necessary component of the changes required. BPE's managing director Bill Girdwood was taken ill shortly before the year end and has been off now for some months. Rupert and the other senior staff are covering the gap, whilst the BPE Board is actively seeking further strengthening of the management team

The Board continues to keep central costs under tight control . However at the operating level BPE has continued to recruit new staff to replace the retiring staff and re-structure middle management for the changed environment using the downturn to take on qualified staff. We have also continued to look at our sales processes and related KPI's with a view to improving sales efficiency. In summary we are building a base for the future and we are beginning to notice some positive responses in our established markets.

As we have often commented we continue to suffer from the vagaries of pension valuations in BPE. The number of active members continues to decline and the match between liability and bond markets is difficult to achieve; this means that we still experience swings in the net valuation. The net result is that the IAS 19 Pension Valuation still moves around and if the £ Sterling falls we may find a positive movement and vice a versa. In the current period the pension deficit for BPE has decreased from £1,931,000 to £1,380,000 as at 3 April 2017, in this case significantly from changes in the mortality tables used by the actuaries. Shareholders will appreciate that the calculations surrounding these figures result from a combination of facts and assumptions which are set out in much more detail in the notes to these accounts.

In addition to the organic opportunities, we remain open to the thought of a suitable corporate transaction to expand the Group ; but accept that this may be difficult to find in current markets. Our other investments continue to show an increase over costs and generate useful increases in value from our latent resources.

As a small group we are reliant on the dedication of all our staff who despite the reduced activity are working well and looking hard at each and every opportunity. The Board thanks them all for their effort and commitment.

Rupert Pearce Gould and Colin Weinberg
Chairmen

Date: 28 July 2017

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 3 APRIL 2017

The directors submit their report and audited accounts for the period ended 3 April 2017.

RESULTS AND DIVIDENDS

The Group's loss after tax amounted to £960,000 (2016: £613,000). The directors are unable to recommend a dividend on the ordinary shares for the period (2016: £nil per ordinary share).

DIRECTORS

The names of the directors who served during the period from 1 April 2016 to 3 April 2017 are:

Mr C Weinberg	Director
Mr R P Gould	Director

Biographical details of the directors are set out on page 63.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Corporate Governance Code, the Companies Act 2006 and related legislation.

In accordance with the Articles of Association Mr C Weinberg retires by rotation and, being eligible, offers himself for re-election.

SUBSTANTIAL HOLDINGS

As at 28 July 2017 and at 3 April 2017 the Company had been notified of the following substantial interests, in excess of 3%, in the issued ordinary share capital of the Company:

Shareholders	Notes
W B Nominees Limited	W B Nominees Limited owns 23.82%, this includes C Weinberg's beneficial interest
R A Pearce Gould	Mr Pearce Gould's direct holding is 12.77% of issued ordinary shares.
Fiske Nominees Limited (FISKPOOL)	FISKPOOL owns 9.2% of issued ordinary shares.
Rulegale Nominees Limited (JAMSCLT)	JAMSCLT owns 5.2% of which Mr R A Pearce Gould's has all of the issued ordinary shares.
Lynchwood Nominees Limited (DMOD)	DMOD owns 4.2% of issued ordinary shares.
Hargreaves Lansdown (Nominees) Limited (HLNOM)	HLNOM owns 4.1% of issued ordinary shares.
BNY (OCS) Nominees Ltd	BNY (OCS) Nominees Ltd owns 4.88% of issued shares. The Investment Company plc being the only beneficial holder
Vidacos Nominees Limited (BBUCCC)	BBUCCC owns 3.4% of issued ordinary shares.
HSBC Global Custody Nominee UK Limited (941346)	Made up of multiple interested parties.

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 3 APRIL 2017

BENEFICIAL INTERESTS IN SIGNIFICANT CONTRACTS

None of the directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was party during the period.

BENEFICIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The beneficial interests of the directors, who served during the period, their spouses and children in the share capital of the Company according to the register kept by the Company as at 1 April 2016 and 3 April 2017 were as follows:

	Ordinary shares of	
	2.5p 2017 No.	2.5p 2016 No.
Mr C Weinberg	161,416	161,416
Mr R P Gould	261,549	261,549

No share options or derivatives were held by any of the directors at 3 April 2017 or 31 March 2016.

Since 3 April 2017 and up to and including 28 July 2017 there have been no changes in the directors' interests in the share capital of the Company.

The Group uses various financial instruments and these include cash, equity investments and various others, such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

Further details of the policies adopted by the Group in respect of the financial risk management are included within note 18 to the Group financial statements, and the Strategic Report.

The structure of the Group's and Company's capital, at nominal value, is as follows:

	No. in issue	Nominal Value £	Total Value £	% of Capital £
Ordinary shares	2,048,990	0.025	51,255	1.9
Deferred shares	1,313,427	1.975	2,594,018	98.1

DISABLED PERSONS

It is the Group's policy to give sympathetic consideration to the recruitment, continuing employment, training, career development and promotion of disabled persons.

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 3 APRIL 2017

GLOBAL GHG EMISSIONS DATA FOR THE PERIOD ENDED 3 APRIL 2017

In compliance with the Climate Change Act (2008) each business division in the group has reported scope 1 and 2 emissions to provide a consolidated total of each source of greenhouse gas emissions for the period ended and these were as follows:

Combustion of fuel and operation of facilities: 159 tonnes (2016: 150 tonnes) of CO₂ emissions.

Transport: 22 tonnes of CO₂ emissions (2016: 31 tonnes).

The Group's chosen intensity measurement

Emissions reported above (181 tonnes of CO₂e (2016: 181 tonnes)) normalised to per £'000 of turnover £1,144 (2016: £1,766): 0.16 Tonnes of CO₂e per £'000 turnover (2016: 0.10).

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2015. These sources fall within activities included in our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), to gather data to fulfil our requirements, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2016.

GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the company and the group will have adequate resources to continue in operational existence for the foreseeable future. The directors consider The Group's business activities, together with the factors likely to affect its future development; performance and position are set out in the Chairman's statement on page 2. The financial position of the Group, at 3 April 2017 showed that the Group recorded a loss of £960,000 and had cash and cash equivalents of £535,000.

In order to manage its working capital, the Group continues to be reliant upon its continuing ability to manage the timing of settlement both of its current liabilities and future liabilities as they arise. There is also a need for fundraises or loans in the immediate to short term, while sales plans and projections come into effect, especially in relation to revenues generated from new product and service lines. The Board has prepared forecasts to reflect the revenues expected to be generated by the Group. The Group is fully focused on ensuring that sales plans are followed to ensure that the business becomes profitable in the near future.

The Directors have concluded that the need to generate funds from a combination of further fundraising, disposing of investments and from trading activities to satisfy the settlement of its on-going and future liabilities represents a material uncertainty, which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Nevertheless after making enquiries and considering this uncertainty and the measures that can be taken to mitigate the uncertainty, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include any adjustments that would result if the Group and Company was unable to continue as a going concern."

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Company's auditor. Each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that such information was provided to the auditor.

ASSOCIATED BRITISH ENGINEERING PLC

**DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 3 APRIL 2017**

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to confirm the reappointment of haysmacintyre as auditor of the Company will be proposed at the 2017 AGM. The confirmation has been recommended to the Board by its Audit Committee and haysmacintyre have indicated their willingness to remain in office.

By order of the Board

For and on behalf of
Woodberry Secretarial Limited
Date: 28 July 2017

BUSINESS REVIEW

A review of the business and of events during the period is contained in the Chairman's Statement on page 2 which forms part of the Strategic Report.

BUSINESS MODEL AND STRATEGY

The Associated British Engineering Group consists of the following two subsidiaries:

1. British Polar Engines Limited ("BPE"), a wholly owned subsidiary, carries out Associated British Engineering's core operating activity of the manufacturing and supplying diesel engines and spare parts for diesel engines together with associated repair work.
2. Akoris Trading Limited ("Akoris"), a subsidiary of BPE, did not trade during the period.

BPE's business model and strategy:

Our sales team deal with the sale of diesel engines and related products and the distribution of spare parts worldwide. The team are well versed on our wide range of products and maintain a high level of technical knowledge. We sell and provide replacement parts for diesel engines principally in two key ranges and for generator sets.

We also sell generator sets and maintain these together with optimising use of our extensive range of engineering facilities in Glasgow.

We provide a worldwide service to our customers offering repair and maintenance work both on site and in house. We carry out major engine overhauls, upgrade and retrofits, as well as routine engine maintenance and service work for generator sets. Our engineers are highly experienced and able to provide technical support/assistance on site.

Our business model to achieve our strategic objectives is:

1. To meet the highest standards of customer service in some of the most demanding industrial sectors.
2. To continue the training and development of our workforce. We are currently looking at succession planning and new product development.
3. To unify standards and procedures. With the high levels of quality, safety and efficiency procedures adhered to within the company and as required by the shipping and offshore industry, we continue to adjust and raise our operating standards investing in new production equipment when justified.
4. To maintain a strong governance framework. The senior management team operate, within a tight framework of controls, monitored and directed by our two executive directors under direction of the Board.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

The Group's main operating business is its subsidiary BPE.

Business activity in the sector in which BPE primarily operates has in recent years been affected by the fall in the price of oil. This demonstrates that this business remains sensitive to economic downturn with orders being delayed and deferred. The downturn that commenced in the second half of 2014 has continued into 2017. The Board of both BPE and its parent company are actively addressing this situation. We are also anticipating fresh trading opportunities which should improve turnover in 2018.

The group operates in a market and an industry which by their nature are subject to a number of inherent risks. We attempt to control these risks by adopting appropriate strategies and maintaining strong systems of internal control. These strategies however cannot attempt to eliminate all risk, but control the risks that we believe are appropriate to take to generate acceptable shareholder returns. Details of the group's risk management processes are given in the Corporate Governance report on page 54.

We have considered below the current risk factors that are considered by the Board to be material. However in a changing world, new risks may appear or immaterial risks may become more important, and the directors will develop appropriate strategies.

Market conditions

The Group's sales are predominantly UK, Europe, North America and North Africa based so it is exposed to any slowdown in the global economy. However the distribution of its customers across the economic sectors helps reduce the impact of slowdown in any one sector. Regular financial information helps the Board assess current trends. An assessment of the market and competitor activity is discussed at board meetings. This includes an assessment of our routes to market as challenges to our structure and operations emerge and assessment of our pricing strategies as competitive pressures increase. The Board are actively widening the geographical sales area.

Reputational risk

Over many years the Group has built up a reputation for integrity and is aware that this can be easily damaged with the consequential cost to the its core brands. To mitigate this risk, policies are in place which cover standards of behaviour and good governance.

Defined Benefit pension scheme funding

The Group is required by law to maintain a minimum funding level in relation to its obligations to provide pensions to members of the pension scheme. This level of funding is dependent on a series of external factors, such as investment performance, life expectancy and gilt yields. Significant changes in these areas can also have a significant effect on the funding levels. The sensitivity of the funding level to these factors are disclosed in note 16 in the notes to the accounts.

Cyclical nature of the business

The trading outlook for the Group remains unpredictable due to exposure to both volatile pricing and periodic cyclical swings such as those experienced over the last three years with the decline in the offshore oil production in Scotland. A review of the record of the trading results over the last decade amply demonstrates this with both revenue and operating profit increasing and declining with the oil sector. The Group's income stream fluctuates throughout the period as a result of the nature and size of the orders and order flows. It is therefore difficult to forecast trading and profitability to any great degree.

The Group continues to refocus its business model and to enhance its production and repair business through additional training and recruitment of its workforce. During this period of transition there is quite naturally an increase in financial risks. The Board are conscious of these risks and continues to work to mitigate them as far as possible.

Further consideration of risks and uncertainties in respect of financial instruments that face the Group and Company is contained in note 18 to the Group financial statements.

Referendum on the United Kingdom's Membership of the European Union

The Board have noted the recent referendum vote to leave the European Union. The Board do not believe that the vote will have a major impact on business.

KEY PERFORMANCE INDICATORS

The Group uses various indicators to monitor its progress. Sales, service and production are continually monitored against set monthly budgets to compare and improve upon gross profit and operating profit margins. Budgets are set on a monthly and annual basis but the directors have not enhanced the disclosures in this regard as one key transaction stalling could have a significant impact on the feasibility of the budget meaning that such disclosures are not considered useful to users of the accounts.



The Group reviews the Pension Fund liability, the key assumptions underpinning the actuarial valuation and the minimum funding requirement on a regular basis. The key assumptions underpinning the actuarial valuation are reviewed and compared with industry norms; there was a significant change to the mortality tables used by the actuary, this is in line with the standard actuarial tables .

There is nothing to report on environmental, employee, social and community matters or essential contractual or other arrangements.

Our employees

It is the policy of the group to train and develop employees to ensure they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Training and development is provided and is available to all levels and categories of staff.

While we do not have a specific human rights policy, we have a strong commitment to upholding the principles of human rights across our business.

CORPORATE GOVERNANCE

Details of corporate governance, which is part of this report for the period to 3 April 2017, are disclosed in the corporate governance report on page 54.

ASSOCIATED BRITISH ENGINEERING PLC

STRATEGIC REPORT (continued) FOR THE PERIOD ENDED 3 APRIL 2017

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to the protection of the environment and the development of processes which ensure that any adverse impact on the environment arising from its trading activities is minimised by encouraging reduction in waste, awareness of recycling, and encouraging employees to pay regard to environmental issues.

Employees

The Group's ability to achieve its commercial objectives and to service the needs of its customers in a profitable and competitive manner depends on the contribution of its employees. Employees are encouraged to develop their contribution to the business wherever they happen to work. The Group regularly keeps employees up to date with financial and other information.

The Group currently employs twenty-four people, made up of two male part time executives and one male full time executive director and three senior managers, two male and one female. We have a dedicated and loyal workforce, many of whom are long serving employees. Over the next few years it is our intention to introduce new members of staff to ensure continuity and the passing on of knowledge for the future.

	Total no. of officers/employees	Number of males %	Number of females %
Senior Management	6	80	20
Whole Workforce	24	92	8

By order of the Board

**For and on behalf of
Woodberry Secretarial Limited**

Date: 28 July 2017

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF
ASSOCIATED BRITISH ENGINEERING PLC**

1. Our opinion on the financial statements

We have audited the financial statements of Associated British Engineering plc for the period ended 3 April 2017 set out on pages 16 to 52. In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and the parent company’s affairs as at 3 April 2017 and of the Group’s loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made on page 17 to the financial statements concerning the Group’s ability to continue as a going concern. At 3 April 2017, the Group recorded a loss of £960,000 and had a cash and cash equivalents of £535,000. This condition, along with the other matters explained on page 17 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the group’s ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit are shown in the table below.

	The risk	Our response included the following audit procedures
Carrying value of inventory	<ul style="list-style-type: none"> • The inventory held at the period-end covers a wide range of parts and the demand for these and the ability of the Group to sell this inventory in the future may be adversely affected by many factors including changes in customer preferences, competitor activity including pricing and the introduction of new parts and technology. • The Group is required to apply a methodology to calculate an inventory provision that is appropriate to the specific business and nature of parts held in inventory. • The level of judgement involved in determining whether a provision should be recognised and how it should be measured, coupled with the fact that provision movements impact earnings, results in inventory provisions being one of the key judgemental areas that our audit is concentrated on. 	<ul style="list-style-type: none"> • Inspecting the ageing of inventory, the accuracy of which was tested, to identify any slow moving inventory lines, and critically assessing whether appropriate provisions had been established for slow moving and obsolete items. • Comparing most recent prices achieved on sales across the range of product lines to test whether these exceeded the book value of inventory at period end. • Comparing the methodology and assumptions used by the Group in calculating the inventory provisions to those used in the prior years and, as part of this, considering whether we would expect a change to the methodology and assumptions based on any changes to the current markets that the Group serves, noting the demand factors highlighted opposite. • Considering the adequacy of the Group’s disclosures (see note 11) in relation to inventory.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ASSOCIATED BRITISH ENGINEERING PLC

	The risk	Our response included the following audit procedures
Measurement of the defined benefit pension liability	<ul style="list-style-type: none"> • There is a risk relating to judgements made by management in valuing the defined benefit pension plan including the use of key model input assumptions such as discount rates, mortality assumptions and inflation levels. These variables can have a material impact in calculating the quantum of the retirement benefit liability. • Management utilise the services of third party actuarial advisers to determine their key assumptions. 	<p>Our audit work included, but was not restricted to, reviewing the appropriateness of the IAS 19 valuation methodology and determining whether the key assumptions are reasonable. This included reviewing available yield curves and inflation data to recalculate a reasonable range for key assumptions.</p> <p>We challenged management to understand the sensitivity of changes in assumptions. Additionally, we benchmarked key assumptions against other pension actuarial valuations for any outliers in the data used.</p> <p>Details of the defined benefit pension scheme are disclosed in note 16 to the group financial statements.</p>
Recoverability of trade receivables	<ul style="list-style-type: none"> • The calculation of the bad debt provision requires a significant level of judgment as the Group sells products to a wide customer base located across numerous countries each with different macroeconomic environments. This spread of customers worldwide requires significant judgement to assess the financial health of each. • The recoverability of trade receivables is dependent on the credit worthiness of customers and their ability to settle the amounts due. 	<ul style="list-style-type: none"> • Testing the adequacy of the provisions for bad debt recorded against trade receivable balances by taking into account the ageing of receivables at period end and cash received after period end, as well as the controls over its calculation. • Assessing the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions. • Considering the adequacy of the Group's disclosures (see note 12) in relation to provisions for risks concerning recoverability of trade receivables.
Going concern	<ul style="list-style-type: none"> • At 3 April 2017 the Group had cash and cash equivalents of £535,000 (2015: £1,577,000) and incurred an operating loss of £906,000 (2015: £568,000). • The Strategic Report on page 6 identifies the Group's principal risks and uncertainties. Judgement is required by the directors in assessing whether any material uncertainties exist which cast significant doubt as to the Group's ability to meet its liabilities and whether the mitigating actions identified by management are achievable. • Judgement is also required in assessing whether the disclosures provided in the financial statements adequately describe the risks and underlying assumptions. • This is a risk due to the Group's continuing operating losses and reducing cash resources. 	<p>We obtained management's cash flow forecast which supports their use of the going concern basis of accounting. We tested the integrity of this model, including mathematical accuracy, and reviewed key assumptions such as forecast sales revenue and operating costs for consistency. We also considered the historical accuracy of management's forecasting.</p> <p>We have challenged management on the assumptions used in the forecasts and of certain other downside sensitivities. These include deterioration in oil prices and the impact on diesel engine repairs forecasts and reductions in forecasted sale of engines.</p> <p>The main uncertainty in the forecast relates to the ability of the group to generate positive operating cash flows. The company is currently reliant on companies operating in the oil industry and fluctuations in oil prices are not within the control of management but is likely to impact demand. This is a material uncertainty which may affect the Group's ability to continue as a going concern and which we draw readers attention to in the emphasis of matter paragraph above.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH ENGINEERING PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We determined materiality for the Group to be £35,000, which is 2% of revenue. Revenue is used as the benchmark for materiality as it is considered the critical performance measure of the Group. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1,750 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes the listed parent Company (Associated British Engineering plc), the main trading entity (British Polar Engines Limited). The Group's accounting process is structured around a finance team in Glasgow, maintaining their own accounting records and controls.

The main trading entity is the focus of our audit as this comprises 100% of the Group's revenue and 93% of the Group's net assets. All material items in this entity, and therefore the financial statements, are audited by a single engagement team. In addition to the audit work conducted at Glasgow, the engagement team also visited the warehouse, primarily to provide evidence over the period-end inventory balance.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH ENGINEERING PLC

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting and the Directors' statement on the longer-term viability of the Group contained on page 58 and 59.

We draw your attention to the emphasis of matter - going concern section above. We have nothing else material to add or draw attention to in relation to:

- the Directors' confirmation on page 57 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 57 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 5 of the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on page 58 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and
- The information given in the Corporate Governance Statement set out on pages 54 to 59 in respect of internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or 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.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH ENGINEERING PLC

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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).

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

David Cox

Senior Statutory Auditor
for and on behalf of haysmacintyre
Statutory Auditor, Chartered Accountants
London

28 July 2017

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES FOR THE PERIOD ENDED 3 APRIL 2017

BASIS OF PREPARATION

The Company is a public limited company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on the final page 63 of this annual report.

These Group consolidated accounts and the company accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company's ordinary shares are traded on the London Stock Exchange (LSE) under the ticker (ASBE).

These financial statements are presented in pound sterling because that is the currency of the primary economic environment in which the Group operates.

NEWLY ISSUED ACCOUNTING STANDARDS

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.
- IAS 7 in respect of the Disclosure Initiative. – Effective from 1 January 2017.
- IAS 12 in respect of the recognition of deferred tax assets for unrealised losses. – Effective 1 January 2017
- IFRS 2 in respect of the Classification and measurement of share-based payment transactions. – Effective 1 January 2011.
- IAS 40 in respect of transfers of investment property. – Effective 1 January 2018.
- IFRIC 22 in respect of foreign currency transactions and advance considerations. – Effective 1 January 2018.

The directors anticipate that the adoption of the above Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except as follows:

- IFRS 9 Simplifies financial instrument classifications and hedge accounting rules as well as amending the impairment requirement for loans.
- IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and replaces all existing revenue requirements in IFRS. The core principle is that revenue will be recognised at an amount reflecting the consideration to which the Company expects to be entitled in exchange for transferring goods and services to a customer. It may have an impact on revenue recognition and related disclosures.
- IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and it removes the current distinction between an operating and finance lease, introducing consistent requirements for all leases similar to the current finance lease accounting. The lease value for leased premises as well as other smaller trade related operating leases will be brought onto the Statement of Financial Position at the fair value of the future minimum lease payments.

Beyond the information above, it is not practicable to provide a reasonable estimate as to the effect of these standards until a detailed review has been completed.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on page xx. The financial position of the Group, its cash flows and liquidity position are described in the financial statements.

The Group continues to be reliant upon its continuing ability to manage the timing of settlement both of its current liabilities and future liabilities as they arise. There is also a need for successful on-going equity fundraises and / or loans in the immediate to short term thereafter, while sales plans and projections come into effect, especially in relation to revenues generated from new product and service lines. The Board has prepared forecasts to reflect the revenues expected to be generated by the Group. The Group is fully focused on ensuring that sales plans are followed to ensure that the business becomes profitable in the near future.

The Directors have concluded that the need to generate future funds from further fundraising, disposing of investments and from trading activities to satisfy the settlement of its on-going and future liabilities represents a material uncertainty, which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Nevertheless after making enquiries and considering this uncertainty and the measures that can be taken to mitigate the uncertainty, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include any adjustments that would result if the Group and Company was unable to continue as a going concern.

BASIS OF CONSOLIDATION

The consolidated accounts include the company and all its subsidiary undertakings (from the date of acquisition or to the date of disposal where applicable). Intra group sales and profits are eliminated on consolidation. The accounts of all subsidiary undertakings are made up to 3 April.

A subsidiary is an entity controlled, either directly or indirectly, by the company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed in the consolidated income statement in the period in which they are incurred.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with the Standard.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 3 APRIL 2017

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration receivable by the Group for goods supplied and services provided, excluding value added tax and trade discounts. Revenue from the sale of spare parts is recognised when the goods are dispatched or, if under a bill and hold arrangement, when they are available for despatch to a specific customer. Revenue from the sale of engines is recognised in accordance with the performance of contractual terms and specifically when the engines have been satisfactorily tested in accordance with contractual terms. Revenue from servicing and repair work is recognised when the work is completed.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Management are required, in accordance with IFRS, to exercise judgement and to make estimates and assumptions regarding the application of accounting policies and the resulting effect on reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a review of current conditions prevailing at the time but actual results may differ from these estimates. Any such revision is recognised in the financial statements in the period in which the change in circumstance is detected.

ACCOUNTING JUDGEMENTS

The key areas where management have exercised judgement in the period, and the thought processes undertaken, are as follows:

Deferred tax

Judgement is applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets. Note 19 sets out information on carried forward tax losses for which a deferred tax asset has not been recognised.

Pension scheme

The directors are in regular contact with the Trustees of the pension scheme in connection with three key areas where judgement is exercised; the assumptions underpinning the actuarial valuation, continued negotiations regarding the pension scheme and in relation to the payment plan. The directors then assess the relevant estimates and assumptions made to ensure that statutory obligations are met.

In evaluating the assumptions underpinning the actuarial valuation the directors have sought the professional advice of a firm of actuaries who prepare the valuation according to industry standards and norms. During the period under review an actuarial gain of £495,000 (2016: £99,000 loss) was recognised in the Group accounts.

The assumptions underpinning the actuarial valuation are disclosed further in note 16 to the Group financial statements.

Available for sale financial assets

British Polar Engines holding in SalvaRx was 2.3% (2016: 2.36%), as disclosed in note 13. The directors have judged that this holding does not give the group 'significant influence' over SalvaRx Group PLC, and so this investment has not been accounted for as an associate in these financial statements.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 3 APRIL 2017

ACCOUNTING ESTIMATES

The key accounting estimates having an impact on carrying amounts of assets and liabilities in the reporting period are as follows:

Inventories

Inventories are stated at the lower of cost (including an appropriate proportion of attributable supplier rebates and discounts) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete or slow moving inventories where appropriate.

Inventories held by the Group consist of raw material (mainly components), work in progress (manufactured engines and parts) and finished goods (both purchased and manufactured engines and parts). A specific provision is made, on a 100% basis, for all stock lines that are obsolete or slow moving for periods in excess of four years. A general provision is made of 5%, 12.5%, 25% and 50% over all stock lines that have not moved for one, two, three and four years respectively.

The inventory provision at the period end amounted to £2,496,000 (2016: £2,411,000). The gross value of inventories at the period end is £3,828,000 (2016: £3,369,000).

The directors review their assumptions and accounting estimates, along with the accounting policies adopted in preparing these financial statements, on a regular basis and recognise any change in the period in which circumstances vary.

Provisions for doubtful debts

At the balance sheet date, each subsidiary evaluates the collectability of trade receivables and records provisions for doubtful or disputed debts based on experience including comparisons of the relative age of accounts and consideration of the history. The actual level of debt collected may differ from the estimated levels of recovery and could impact future operating results positively or negatively. As at 3 April 2017 the Group has provided £500,471 (2016: £396,479) against its current trade receivables.

INVENTORIES AND IMPAIRMENT OF INVENTORIES

Inventories of raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Work in progress and finished goods include an appropriate allocation of overheads.

Cost is on a first in, first out basis. Net realisable value is the estimated selling price in the normal course of business, less estimated costs of completion and provision is made for obsolete, slow moving and defective inventories.

LEASED ASSETS

Leases of property and plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Assets held under finance leases are capitalised at lease inception at the lower of the asset's fair value and the present value of the minimum lease payments. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate within borrowings. The interest element of the finance cost is charged to the income statement over the life of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment is depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals (net of any related lease incentives) are charged against profit on a straight line basis over the period of the lease.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 3 APRIL 2017

FOREIGN CURRENCIES

The functional and presentational currency of the parent company and its subsidiaries is UK Pounds Sterling, rounded to the nearest thousands. Transactions in currencies other than the functional currency are translated at the rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gains or losses arising from the transactions are taken to the income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and any impairment in value. Freehold land is not depreciated. Depreciation is calculated to write down the cost of all property, plant and equipment less its residual value by annual instalments over their expected useful lives on the following bases:

Freehold buildings	5 per cent straight line
Plant and machinery	7½- 33⅓ per cent straight line

These useful lives and residual values are reviewed in each financial period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, over the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

The carrying values of property, plant and machinery are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

TAXATION

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

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

RETIREMENT BENEFIT COSTS

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Group statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to cumulative unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 3 APRIL 2017

RETIREMENT BENEFIT COSTS (Continued)

Actuarial gains and losses, which represent differences between the expected and actuarial returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in the statement of other comprehensive income in the period in which they occur.

Pension payments to the Group's defined contribution schemes are charged to the income statement as they arise.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with a maturity of three months or less which are subject to an insignificant risk of changes in value.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Further analysis of the Group's financial instruments, and the relevant exposure to risks and uncertainties, is stated in note 19 and the various classifications of financial assets and liabilities are identified and explained.

Trade and other receivables

Trade and other receivables are originally recognised at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method. A provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The total of bad, doubtful debts and overdue at the period-end was £500,471 (2016: £396,479). Trade receivables and cash and cash equivalents are classified as loans and receivables.

Trade and other payables

Trade and other payables are originally recognised at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method.

Investments in securities

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, with all transaction costs being written off to the income statement as incurred.

Investments are classified as available for sale and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of available for sale financial assets are included in other comprehensive income for the period. When the asset is disposed of or deemed to be impaired, the cumulative gain or loss is reclassified from equity reserve to income statement.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

SEGMENTAL REPORTING

The standard requires financial information to be disclosed in the financial statements in the same format in which it is disclosed to the chief operating decision-maker. The chief decision-maker has been identified as the Board, at which level strategic decisions are made.

EQUITY AND RESERVES

Share capital represents the nominal value of shares that have been issued except for the preference shares classified as debt.

Deferred shares represents shares arising from the sub-division of ordinary shares of £2.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits and losses.

Available for sale reserve includes all gains and losses relating to Available for Sale financial assets.

Other reserves relate to movements not classified in any of the reserves detailed above.

All transactions with owners of the parent are recorded separately within equity.

ASSOCIATED BRITISH ENGINEERING PLC

**GROUP INCOME STATEMENT
FOR THE PERIOD ENDED 3 APRIL 2017**

	Note	2017 £'000	2016 £'000
REVENUE	1	1,043	1,766
Operating costs	2	<u>(1,949)</u>	<u>(2,334)</u>
OPERATING LOSS	3	(906)	(568)
Finance expense	6	(75)	(68)
Finance income	6	<u>19</u>	<u>15</u>
LOSS BEFORE TAXATION		(962)	(621)
Taxation	7	<u>2</u>	<u>8</u>
LOSS FOR THE PERIOD		<u>(960)</u>	<u>(613)</u>
LOSS PER SHARE ON LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
BASIC AND DILUTED	8	<u>(46.8p)</u>	<u>(29.9p)</u>
Loss for the period attributable to:			
Owners of the Company		(960)	(613)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(960)</u>	<u>(613)</u>

All activities are classified as continuing.

The accounting policies on pages 16 to 22 and the notes on pages 28 to 43 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 3 APRIL 2017**

	Note	2017 £'000	2016 £'000
Loss for the period		<u>(960)</u>	<u>(613)</u>
Other comprehensive income			
Re-measurement of the net defined benefit liability (*)	16	495	(99)
Gain on available for sale financial asset (**)		<u>-</u>	<u>15</u>
Other comprehensive income for the period		<u>495</u>	<u>(84)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(465)</u>	<u>(697)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(465)	(697)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(465)</u>	<u>(697)</u>

(*) = Items which will not subsequently be reclassified to the Income Statement.

(**) = Items which may subsequently be reclassified to the Income Statement.

All activities are classified as continuing.

The accounting policies on pages 16 to 22 and the notes on pages 28 to 43 form part of these accounts.

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 3 April 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	303	296
Available for sale financial assets	13	433	433
		<u>736</u>	<u>729</u>
Current assets			
Inventories	11	1,332	958
Trade and other receivables	12	514	793
Cash and cash equivalents		535	1,577
		<u>2,381</u>	<u>3,328</u>
Total assets		<u><u>3,117</u></u>	<u><u>4,057</u></u>
EQUITY AND LIABILITIES			
Called up share capital	14	51	51
Deferred shares	14	2,594	2,594
Share premium account		5,370	5,370
Other components of equity		11	11
Available for Sale reserve		104	104
Retained earnings		(7,110)	(6,645)
Equity attributable to the Parent Company's Equity shareholders		<u>1,020</u>	<u>1,485</u>
Non-controlling interests	15	<u>-</u>	<u>-</u>
Total equity		<u><u>1,020</u></u>	<u><u>1,485</u></u>
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	16b	1,380	1,931
Obligation under finance leases	17	25	43
Deferred tax liabilities	19	-	-
		<u>1,405</u>	<u>1,974</u>
Current liabilities			
Trade and other payables	17	633	533
Obligations under finance leases	17	59	65
		<u>692</u>	<u>598</u>
Total liabilities		<u><u>2,097</u></u>	<u><u>2,572</u></u>
Total equity and liabilities		<u><u><u>3,117</u></u></u>	<u><u><u>4,057</u></u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2017 and were signed below on its behalf by:

C Weinberg
Director

The accounting policies on pages 16 to 22 and the notes on pages 28 to 43 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 3 APRIL 2017**

	Share capital	Share premium	Deferred shares	Other reserve	Available for Sale reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	51	5,370	2,594	11	89	(5,927)	2,188	(6)	2,182
Loss for the year	-	-	-	-	-	(613)	(613)	-	(613)
Other comprehensive income									
Actuarial loss in defined benefit plan (*)	-	-	-	-	-	(99)	(99)	-	(99)
Unrealised gain on Available For Sale financial assets (**)	-	-	-	-	15	-	15	-	15
Transactions with owners									
Purchase of shares from non-controlling interest	-	-	-	-	-	(6)	(6)	6	-
Total comprehensive income for the year	-	-	-	-	15	(718)	(703)	6	(697)
Balance at 31 March 2016	51	5,370	2,594	11	104	(6,645)	1,485	-	1,485
Loss for the period	-	-	-	-	-	(960)	(960)	-	(960)
Other comprehensive income									
Actuarial loss in defined benefit plan (*)	-	-	-	-	-	495	495	-	495
Unrealised gain on Available For Sale financial assets (**)	-	-	-	-	-	-	-	-	-
Transactions with owners									
Purchase of shares from non-controlling interest	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(465)	(465)	-	(465)
Balance at 3 April 2017	51	5,370	2,594	11	104	(7,110)	1,020	-	1,020

(*) = Items which will not be subsequently be reclassified to the Income Statement.

(**) = Items which may subsequently be reclassified to the Income Statement.

The accounting policies on pages 16 to 22 and the notes on pages 28 to 43 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**GROUP CASH FLOW STATEMENT
FOR THE PERIOD ENDED 3 APRIL 2017**

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Cash used in operations	(896)	(890)
Interest received	19	15
Interest paid	(75)	(68)
	<hr/>	<hr/>
Net cash used in operating activities	(952)	(943)
Cash flows from investing activities		
Proceeds from sale of equipment	-	6
Purchase of equipment	(26)	(28)
	<hr/>	<hr/>
Net cash used in investing activities	(26)	(22)
Cash flows from financing activities		
Repayment of finance leases	(64)	(64)
	<hr/>	<hr/>
Net cash used in financing activities	(64)	(64)
Net decrease in cash and cash equivalents	(1,042)	(1,029)
Cash and cash equivalents at beginning of period	1,577	2,606
	<hr/>	<hr/>
Cash and cash equivalents at end of period	535	1,577
	<hr/>	<hr/>
CASH FLOW FROM OPERATING ACTIVITIES		
	2017	2016
	£'000	£'000
Loss before taxation	(962)	(621)
Adjustments for:		
Depreciation	58	53
Interest income	(19)	(15)
Finance expense	75	68
Foreign exchange difference	-	(7)
Pension scheme interest expense	67	61
Cash paid in excess of current service cost	(123)	(121)
Profit on disposal of equipment	-	(6)
Changes in working capital:		
(Increase)/decrease in inventories	(374)	(19)
(Increase)/decrease in trade and other receivables	280	(190)
Increase/(decrease) in payables	102	(93)
	<hr/>	<hr/>
	(896)	(890)
	<hr/>	<hr/>
Cash used in operations	(896)	(890)
	<hr/>	<hr/>

The accounting policies on pages 16 to 22 and the notes on pages 28 to 43 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS - GROUP FOR THE PERIOD ENDED 3 APRIL 2017

1. SEGMENTAL REPORTING

The following table shows an analysis of the Group's external sales by geographical market:

	2017 £'000	2016 £'000
United Kingdom	425	853
Europe	186	406
Far East and Australasia	166	19
Africa	82	188
North and South America	168	272
Middle East	16	28
	<u>1,043</u>	<u>1,766</u>

The following table shows an analysis of the Group's external sales from continuing operations:

	2017 £'000	2016 £'000
Revenue from the sale of goods	757	1,046
Revenue from the rendering of services	286	720
	<u>1,043</u>	<u>1,766</u>

All of the above revenue arises from trading and diesel and related engineering activities and originate in the United Kingdom.

In the periods ended 3 April 2017 and 31 March 2016, save for dollar bank accounts and overseas debtors, all of the assets held by the Group were located in the United Kingdom and all capital expenditure was incurred within the United Kingdom.

Operating segments

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments", which defines requirements for the disclosure of financial information of an entity's operating segments.

The Board consider the Group on an individual company basis. Reports by individual companies are used by the chief decision-maker in the Group. Significant operating segments are Associated British Engineering Plc, and British Polar Engines Limited.

The Group's operations are located in the United Kingdom. Any transactions between business units are on normal commercial terms and conditions.

British Polar Engines Limited's activities consist of the manufacture and supply of diesel engines and spare parts for diesel engines together with associated repair work.

Akoris Trading Limited's did not carry out trading activity in the period.

Associated British Engineering Plc is the Group's holding company.

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017

1. SEGMENTAL REPORTING (continued)

Period to 3 April 2017	Associated British Engineering Plc £'000	British Polar Engines Limited £'000	Akoris Trading Limited £'000	Consolidated £'000
External sales	-	1,043	-	1,043
Segment result (LBIT)	(148)	(740)	(7)	(895)
Net finance expenses				(67)
Taxation				2
Loss after tax				(960)
Other information				
Capital additions	-	66	-	66
Balance sheet				
Segment assets	199	2,887	31	3,117
Year to 31 March 2016	Associated British Engineering Plc £'000	British Polar Engines Limited £'000	Akoris Trading Limited £'000	Consolidated £'000
External sales	-	1,766	-	1,766
Segment result (LBIT/ PBIT)	(116)	(442)	(10)	(568)
Net finance expenses				(53)
Taxation				8
Loss after tax				(613)
Other information				
Capital additions	-	28	-	28
Balance sheet				
Segment assets	165	3,861	31	4,057

Included in the total Group revenue was £158,000 (2016: £965,000) of sales which arose from one customer who contributed to 10% or more of the total Group revenue for the period ended 3 April 2017 (2016: four customers). The geographical market from which the revenue from the customers originate is principally the United Kingdom.

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017**

2. OPERATING COSTS	2017	2016
	£'000	£'000
Raw materials used	858	1081
Staff costs (note 4)	944	1,101
Depreciation of property plant and equipment	58	53
Other expenses	89	99
	<u>1,949</u>	<u>2,334</u>

3. OPERATING LOSS	2017	2016
	£'000	£'000
Operating loss is stated after charging/(crediting)		
Depreciation on owned assets	23	21
Depreciation on assets held under finance leases	35	32
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
PLC audit costs	21	20
The audit of the Company's subsidiaries pursuant to legislation	20	22
Operating lease rental on plant and machinery	42	42
Profit on disposal of property, plant & equipment	-	(6)
	<u>-</u>	<u>(6)</u>

4. STAFF COSTS AND EMPLOYEES	2017	2016
	£'000	£'000
Wages and salaries	753	804
Social security costs	68	74
Other pension costs	123	223
	<u>944</u>	<u>1,101</u>

The average monthly number of persons employed by the Group during the period was:

	2017	2016
	Number	Number
By activity		
Production	11	11
Administration	16	16
	<u>27</u>	<u>27</u>

5. DIRECTORS' REMUNERATION

Directors received emoluments of £31,901 (2016: £35,000). Further details can be found on page 59.

KEY MANAGEMENT COMPENSATION	2017	2016
	£'000	£'000
Remuneration of Group directors	<u>30</u>	<u>35</u>

The Group made no pension contributions in respect of Group directors during the period ended 3 April 2017 or 31 March 2016.

NOTES TO THE ACCOUNTS - GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017

6. NET FINANCE EXPENSE	2017 £'000	2016 £'000
Interest on obligations under finance leases	<u>8</u>	<u>7</u>
Interest expenses for borrowings at amortised cost	8	7
Net interest cost on defined benefit pension scheme	<u>67</u>	<u>61</u>
	<u>75</u>	<u>68</u>
Interest receivable on cash and cash equivalents	<u>(19)</u>	<u>(15)</u>
	<u>(56)</u>	<u>(53)</u>

7. TAXATION	2017 £'000	2016 £'000
The tax charge is set out below:		
Current tax:		
United Kingdom corporation tax at 20% (2016: 20%)	-	-
Deferred tax:		
In respect of current period	<u>2</u>	<u>8</u>
Total current tax and tax on profit on ordinary activities	<u>2</u>	<u>8</u>

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained as follows:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	<u>(962)</u>	<u>(621)</u>
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20% (2016: 20%)	(192)	(124)
Effects of:		
Fixed asset differences	11	-
Expenses not deductible for tax purposes	10	6
Amounts (charged)/credited directly to equity or otherwise transferred	98	-
Income not taxable	(5)	(12)
Depreciation for the period in excess of capital allowances	(5)	12
Adjustment to recognised deferred tax	100	8
Deferred tax not recognised	(15)	-
Unrelieved tax losses	<u>-</u>	<u>118</u>
Taxation expense in the consolidated income statement	<u>2</u>	<u>8</u>

The Group has trading losses of approximately £3.1 million (2016: £2 million) and capital losses of £8.5 million (2016: £8.5 million). These are available to set against future taxable profits, taxation liabilities and capital gains respectively. The trading losses are available to be used against future profits arising from the same trade within the Group. These amounts are subject to agreement with Her Majesty's Revenue and Customs. Deferred tax assets have not been recognised in the Group accounts. As the timing and extent of taxable profits are uncertain, a deferred tax asset of £528,000 (2016: £436,000) arising on the trading losses has not been recognised in the financial statements.

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017**

8. LOSS PER SHARE

The calculation of loss per ordinary share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	Loss £'000	2017 Weighted Average number of shares	Per shares amount pence	Loss £'000	2016 Weighted Average number of shares	Per shares amount pence
Basic and diluted loss per share	(960)	2,048,990	(46.8p)	(613)	2,048,990	(29.9p)

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
COST			
At 1 April 2015	689	1,410	2,099
Additions	-	28	28
Disposals	-	(23)	(23)
At 31 March 2016	689	1,415	2,104
At 1 April 2016	689	1,415	2,104
Additions	-	66	66
Disposals	-	(42)	(42)
At 3 April 2017	689	1,439	2,128
ACCUMULATED DEPRECIATION			
At 1 April 2015	689	1,089	1,778
Charge for year	-	53	53
Eliminated on disposals	-	(23)	(23)
At 31 March 2016	689	1,119	1,808
At 1 April 2016	689	1,119	1,808
Charge for period	-	58	58
Eliminated on disposals	-	(42)	(42)
At 3 April 2017	689	1,136	1,825
CARRYING AMOUNTS			
At 3 April 2017	-	303	303
At 31 March 2016	-	296	296
At 31 March 2015	-	321	321

At 3 April 2017 assets held under finance leases included in plant and machinery had a carrying value of £199,000 (2016: £207,000).

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017**

10. CAPITAL COMMITMENTS

At 3 April 2017 the Group had capital commitments of £Nil (2016: £Nil).

11. INVENTORIES

	2017	2016
	£'000	£'000
Raw materials	119	107
Work in progress	61	134
Finished goods	<u>1,152</u>	<u>717</u>
	<u>1,332</u>	<u>958</u>

The closing inventory balance of £1,332,000 (2016: £958,000) is stated net of provisions of £2,496,000 (2016: £2,411,000). There was an increase in provision of £85,000 (2016: £310,000 increase) in relation to slow moving stock.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	£'000	£'000
Trade receivables	788	818
Allowance for doubtful debts	<u>(500)</u>	<u>(396)</u>
	288	422
Prepayments and accrued income	<u>226</u>	<u>371</u>
	<u>514</u>	<u>793</u>

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

The average credit period offered on sales of goods varies from 30 days to 90 days. The Group has recognised an allowance for doubtful debts based on estimated irrecoverable amounts determined by the history and by reference to the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the period-end but against which the Group has not recognised an allowance for doubtful receivables.

Ageing of past due but not impaired receivables

	2017	2016
	£'000	£'000
31 – 60 days	18	13
61 – 90 days	9	192
91 – 120 days	<u>227</u>	<u>31</u>
	<u>254</u>	<u>236</u>

Movement in the allowance for doubtful debts:

	2017	2016
	£'000	£'000
Balance at the beginning of the period	396	86
Increase in provision	<u>104</u>	<u>310</u>
Balance at the end of the period	<u>500</u>	<u>396</u>

In determining the recoverability of a trade receivable the Group considers, inter alia, any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017**

12. TRADE AND OTHER RECEIVABLES (continued)

The Group has a concentration of credit risk with exposure to two large debtor balance at the period-end which accounts for 96% of the balance due between 61 -120 days. Management considers that all the above financial assets that are not provided for, impaired or past due are of good credit quality.

13. AVAILABLE FOR SALE INVESTMENTS	2017	2016
	£'000	£'000
Listed Securities	<u>433</u>	<u>433</u>
	Available For Sale financial assets £'000	
Opening balance	433	
Additions	-	
Net fair value gain	-	
Disposals	<u>-</u>	
Closing balance	<u><u>433</u></u>	

Gains or losses on available for sale investments are presented within other comprehensive income.

IFRS 13 requires that the fair value reflects "exit price" and is valued in line with the relevant "unit of account" and the fair value of the equity investments held is calculated by reference to the quoted market price at the period end.

Available for sale investments, which are valued based on active markets' prices, are reported under Level 1 in the fair value hierarchy.

14. CALLED UP SHARE CAPITAL	2017	2016
	£'000	£'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	51	51
1,313,427 deferred shares of £1.975 each	<u>2,594</u>	<u>2,594</u>
	<u>2,645</u>	<u>2,645</u>
Carrying value:		
Equity shares:		
2,048,990 ordinary shares of £0.025 each	<u><u>51</u></u>	<u>51</u>

The structure of the Group and Company's capital is as follows:

	Number of Ordinary Shares No.	Ordinary Shares £'000	Number of Deferred Shares No.	Deferred Shares £'000	Share Premium £'000
Balance at 1 April 2016 (£0.025/£1.9752 shares)	<u>2,048,990</u>	<u>51</u>	<u>1,313,427</u>	<u>2,594</u>	<u>5,370</u>

Further to the Extraordinary General Meeting held on 1 September 1999 the ordinary shares have 200 votes per share.

The deferred shares do not have voting rights and do not carry any entitlement to attend general meetings of the Company; they are not admitted to any Stock Exchange and carry a right to participate in any return of capital once an amount of £100 has been paid in respect of each new ordinary share.

14. CALLED UP SHARE CAPITAL (continued)

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of cash and bank balances and equity of the Group, comprising called up share capital, deferred shares, share premium account, other reserves and retained earnings.

The Group is not subject to any externally imposed capital requirements.

15. NON-CONTROLLING INTERESTS

Movement in non-controlling interests during the period are disclosed in the statement of changes in equity.

At the period-end, the Group held 99.7% of Akoris Trading Limited's Ordinary Share capital.

16. RETIREMENT BENEFIT SCHEMES

The Group operated a defined benefit pension scheme, holding the assets in a separate trustee administered fund ("the ABE Pension Fund"). The required contributions were assessed with the advice of an independent qualified actuary using the projected unit credit method. The Group also operates a designated defined benefit Group personal pension plan which meets stakeholder requirements.

The scheme exposes the Group to actuarial risks such as:

Salary risk:

The present value of the pension scheme liability is calculated by reference to the future salaries of participating members. Any increase in members' salaries will increase the scheme's liability but is now limited to RPI.

Interest rate risk:

Any decrease in bond rates will increase the scheme's liability.

Investment risk:

If the return on scheme assets is below the discount rate used to calculate the present value of the scheme liability it may lead to a scheme deficit.

Longevity risk:

Any increase in life expectancy of the scheme's members will increase the scheme's liability as the present value of the scheme's liability is calculated by reference to the best estimate of the mortality rate of the scheme's members.

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 3 APRIL 2017

16. RETIREMENT BENEFIT SCHEMES (continued)

The scheme consists of 2 active members, 26 deferred members and 57 pensioner members. The contribution to the scheme for the forthcoming year is expected to be £140,000 including the contribution to the deficit.

The value placed on the benefit obligation is particularly sensitive to changes in some of the key assumptions. Two of the most critical are:

- The real (i.e. net of inflation) and nominal rates of interest used; and
- Changes in future mortality rates

Assumption	Change in the Defined Benefit Obligation %	Change in the Defined Benefit Obligation (£'000)
0.25% p.a. reduction in discount rate	+3.90	54
0.25% increase in inflation	+1.50	21
Members assumed to live one year longer	+4.10	57

In the year ended 31 March 2009, the Company came to an agreement with the Trustees of the scheme and a resolution was approved whereby the Group is no longer liable for its previously recognised retirement obligations for the ABE section of the fund. The elimination of the ABE section resulted in an elimination of £3,047,000 of the opening obligation which was reflected through the Statement of Comprehensive Income. The remaining obligation relates to the BPE section of the scheme and is summarised on the following page.

Contributions by employer in respect of future accrual of benefits, death in service benefits and expenses:

27.5% (2016: 28.6%) of pensionable salaries less member contributions, payable monthly by the 19th of the calendar month after that to which they relate. In addition, the employer will pay amounts into the scheme equal to the levy payments made by the scheme to the Pension Protection Fund. Such amounts will be paid by the employer within a year of them being paid by the scheme. Insurance premiums for death in service benefits, management and administration expenses are payable in addition as and when they are due.

Contributions by employer in respect of the shortfall in funding following the triennial review:

With reference to the recovery plan agreed with the Trustees in conjunction with the valuation as at 1 April 2014, the employer will make the following contributions over the period from 1 April 2014 to 31 March 2030:

- From 1 April 2014 until 1 August 2014 contributions of £17,000 per month has been paid in accordance with the previous recovery plan.
- From 1 August 2014, £10,000 per month are payable by the 19th of the calendar month after that to which they relate.
- An additional lump sum relating to the profits of the employer in respect of all accounting periods as from 1 April 2014 is payable in the financial year following the generation of the profits calculated on the following basis:-
- a) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £250k and below £1,050k an additional payment of 20% of such profits;
- b) for all trading profits (before interest and taxation, and excluding those generated from external investments) in excess of £1,050k an additional payment of 10% of such profits;
- Profit-share contributions will only be payable if there is a gross pension deficit recorded in the Employer's Annual Report and Accounts for the financial year in which the profits are generated;
- Funding shortfall contributions (including profit-share contributions) will cease in the event that a funding

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017

16. RETIREMENT BENEFIT SCHEMES (continued)

(a) Pension cost (recognised in Income Statement)	2017 £'000	2016 £'000
<i>Operating charge</i>		
Current service cost	14	26
<i>Other finance charges</i>		
Interest on net defined benefit obligation	67	61
Total pension cost recognised in the Income Statement	81	87

(b) Benefit liability	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of funded obligations	8,446	8,295	8,424	7,101	6,748
Fair value of plan assets	(7,066)	(6,364)	(6,532)	(5,687)	(5,817)
Net liability	1,380	1,931	1,892	1,414	931

The major categories of plan assets are as follows:

	2017 £'000	2016 £'000
Equities (quoted)	1,704	1,445
Index-Linked Gilts	2,338	1,917
Corporate Bonds	1,947	2,884
Cash	736	76
Bank Balance	341	42
	7,066	6,364

Plan assets

The weighted-average asset allocations at the period-end were as follows:

	2017	2016
Equities (quoted)	24.1%	22.7%
Bonds	60.6%	75.4%
Cash/other	15.3%	1.9%

Plan risks

The defined benefit plan typically exposes the Company to actuarial risks, as stated on page 34, which are managed by a joint working group, comprising the Trustees of the defined benefit plan and the Board.

(c) Change in benefit obligation	2017 £'000	2016 £'000
Benefit obligation at beginning of the period	8,295	8,424
Current service cost	14	26
Interest cost	291	282
Actuarial gain/(loss) arising from changes in financial assumptions	124	(197)
Contributions by plan participants	3	4
Benefits paid	(281)	(244)
Benefit obligations at end of the period	8,446	8,295

NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017**16. RETIREMENT BENEFIT SCHEMES (continued)**

(d) Change in plan assets	2017	2016
	£'000	£'000
Fair value of plan assets at beginning of the period	6,364	6,532
Expected return on plan assets	224	221
Actuarial gains/(loss) on plan assets arising from changes in financial assumptions	619	(296)
Contributions made by employer	137	147
Contributions by plan participants	3	4
Benefits paid	(281)	(244)
Fair value of plan assets at end of the period	7,066	6,364

The expected long term return on cash is determined by reference to current and expected long-term bank base rates. The expected return on bonds is determined by reference to United Kingdom long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date. The expected rates have then all been reduced to reflect the level of anticipated future expenses.

The expected long term rate of return under IAS 19 (revised in 2011) is the same as the discount rate of 2.71% (2016: 3.56% pa).

(e) Principal actuarial assumptions	2017	2016
Inflation (CPI)	2.10	1.76
Rate of increase in pensionable salaries	2.50	2.50
Discount rate	2.71	3.56
Pension in payment increases	2.10	1.76
Revaluation rate for deferred pensioners	2.10	1.76
Male Mortality	S2NMA CMI 2016 with 1% P.a. long- term improvement	PNMA00 MC 1% Min from 2000
Female Mortality	Female S2NFA CMI 2016 with 1% P.a. long-term improvement	PNFA00 MC 1% Min from 2000
Life expectancy from age 65 (years):		
Male currently aged 65	22.1	23.0
Female currently aged 65	24.1	25.5
Male currently aged 45	23.2	24.9
Female currently aged 45	25.3	27.3

(f) Expected future cash flows

The Group's expected contribution to its defined benefit plans in 2017 is expected to be £140,000 (2016: £140,000). The Group does not expect any material changes to the annual cash contributions over the next three years given the funding position of the scheme. The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades.

The overall weighted average duration of scheme liabilities as at 3 April 2017 is approximately 17 years.

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 3 APRIL 2017**

17. PAYABLES	2017	2016
	£'000	£'000
Current		
Obligations under finance leases	59	65
Trade payables	351	222
Other taxation and social security	14	26
Other payables	45	42
Accruals	223	243
	692	598
The net finance lease obligations are due:		
In one year or less	59	65
Between two and three years	25	43
	84	108

All current payables apart from obligations under finance leases are expected to mature within a period of 6 months.

18. FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities, together with the carrying amounts shown in the Group balance sheet, are as follows.

No financial assets or liabilities have been reclassified during the period.

	2017		2016	
	Loans and Receivables	Fair value Profit or loss	Loans and receivables	Fair value Profit or loss
	£'000	£'000	£'000	£'000
Financial assets:				
Trade and other receivables	288	-	422	-
Total current	288	-	422	-
Total	288	-	422	-
Financial liabilities:				
Loans	25	-	43	-
Total non- current	25	-	43	-
Trade and other payables	633	-	533	-
Loans	59	-	65	-
Total current	692	-	598	-
Total	717	-	641	-

Trade and other receivables exclude the value of any prepayments or accrued income. Trade and other payables exclude the value of deferred income. All financial assets and liabilities have a carrying value that approximates to fair value. For trade and other receivables, allowances are made within the book value for credit risk.

18. FINANCIAL INSTRUMENTS (continued)

RISKS

The main risks arising from the Group's financial instruments are market risk, liquidity risk and credit risk. Market risk includes price commodity risk, foreign exchange risk and interest rate risk. The Group has limited exposure to foreign exchange risk and also has no loans, therefore limited exposure to interest rate risk.

Cash and cash equivalents held at floating rates expose the entity to cash flow risk. Interest rate risk is limited to the cash and cash equivalents.

Based on the balance sheet value of cash and cash equivalents, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £5,000 (2016: £16,000).

The Board reviews and agrees policies for managing each of the above risks and they are summarised below and in the accounting policies to the Group financial statements. These policies have been consistently applied throughout the period.

COMMODITY PRICE RISK

The Group is dependent upon some of its suppliers to effectively operate a stock holding and call off management system, which is utilised to mitigate holding costs. There is the potential to leave the Group exposed to 'stock out' or shortages but the Group manages this closely and does not envisage this going forward.

When prices are advantageous a strategic decision may be taken to increase a stock levels in core parts which mitigates the issue of price commodity risk. There are a number of suppliers used, each with various contractual terms, and therefore the Board do not consider this a significant risk.

LIQUIDITY RISK

The Group's liquidity is dependent on the cash balances available and it is the Group's policy to place surplus cash on deposit to ensure it has an appropriate rate of return. The Board reviews an annual 12 month financial projection as well as information regarding cash balances. The maturity profile of the Group's finance lease liabilities is set out in note 18.

18. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

The Group's principal financial assets are cash deposits, available for sale financial assets and trade and other receivables. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade and other receivables and available for sale financial assets.

In order to manage credit risk the directors of the subsidiary company set limits for customers based on a combination of payment history, third party credit references and knowledge of the customers. Credit limits are reviewed by the subsidiary's directors on a regular basis in conjunction with debt ageing and experience. In 2017 and 2016 there were a limited number of concentrations of credit risk. The Group's top five customers comprised less than 1% of the period end trade receivables. The Board consider their strong customer relations to be a strength rather than a risk as they are the preferred suppliers to these customers.

Where appropriate, the subsidiary company requests payment or part-payment in advance of shipment. In connection with the trade receivables, there is a risk of warranty claims, which the subsidiary company tries to minimise. The carrying value of the trade receivables represents the maximum credit risk exposure and therefore sensitivity analysis has not been performed.

Collection procedures in relation to receivables are initiated once the credit terms are exceeded and trade receivables both due and not yet due are reviewed on a line by line basis, with adequate provision being made against period end balances where appropriate. During the period an additional provision of £104,000 (2016: £310,000) has been included in the financial statements.

At the period end 10% (2016: 6%) of current financial assets are aged greater than 90 days. These amounted to £701,890 and £472,330 have been provided for (2015: £52,000 and £21,000 respectively).

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available for sale financial assets				
Quoted securities	433	-	-	433

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 3 APRIL 2017

19. DEFERRED TAXATION

The deferred taxation liability at 3 April 2017 was £Nil (2016: £Nil).

No provision has been made for the potential deferred tax assets on the trading losses carried forward as they are not sufficiently certain to crystallise in the foreseeable future, with future pension obligations deemed to exceed the potential future cash inflows. This assumption will be revisited on an annual basis or as and when circumstances change. The amounts not recognised (all of which have been calculated at 17% (2016: 20%)) are set out below:

Group	2017	2016
	£'000	£'000
Arising from trading losses	528	436
Arising from capital losses	1,451	1,707
Arising from pension deficit	328	386
	2,307	2,529

20. CONTINGENT LIABILITIES

	2017	2016
	£'000	£'000
a) Banker's indemnities	30	30

The indemnities relate to provision of services such as letters of credit or international guarantees by the bank.

b) There were no other contingent liabilities at 3 April 2017 or 31 March 2016.

21. COMMITMENTS UNDER OPERATING LEASES

At 3 April the Group had the following commitments under non-cancellable operating leases:

	2017	Other	2016
	£'000		£'000
Within one year	10		10
Between two and five years inclusive	10		20
	20		30

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 3 APRIL 2017

22. SUBSIDIARIES

At 3 April 2017 the Company held share capital in the following subsidiaries:

Company	% Holding	Activity	Registered office	Country of Incorporation
British Polar Engines Limited	100% (2016:100%)	Manufacture and supply of diesel engines, associated servicing and sale of spare parts	133 Helen Street, Govan, Glasgow, G51 3HD	Scotland
Akoris Trading Limited	99.7% (2016: 99.7%)	No trading activity in the period	26 Red Lion Square, London, WC1R 4AG	England & Wales
Kelvin Diesels Limited	100% (2016: 100%)	Diesel Engines, acting as nominee for British Polar Engines Limited	133 Helen Street, Govan, Glasgow, G51 3HD	Scotland

The group controls 100% of the voting power of the subscribed shares and has control over the financial and operational policies of Akoris Trading Limited. Therefore, Akoris Trading Limited is controlled by the group and consolidated in these financial statements.

23. RELATED PARTY TRANSACTIONS

At 3 April 2017, British Polar Engines had a 2.30% (2016: 2.36%) holding in SalvaRx Group Plc.

Colin Weinberg, a director of the company held 0.1% holding in SalvaRx Group Plc at 3 April 2017 (0.1% at 31 March 2016).

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 3 April 2017**

	Note	3 April 2017 £'000	31 March 2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	-	-
Investments in subsidiaries	9	-	-
Available for sale financial assets	10	169	134
		<u>169</u>	<u>134</u>
Current assets			
Trade and other receivables	11	-	3
Cash and cash equivalents		30	28
		<u>30</u>	<u>31</u>
Total assets		<u>199</u>	<u>165</u>
EQUITY AND LIABILITIES			
Called up share capital	15	51	51
Deferred shares	15	2,594	2,594
Share premium account		5,370	5,370
Other reserve		212	212
Available for sale reserve		41	7
Retained earnings		(8,151)	(8,144)
Total equity		<u>117</u>	<u>90</u>
LIABILITIES			
Non-current liabilities			
Amounts due to group undertakings	12	-	-
Current liabilities			
Trade and other payables	12	82	75
Total liabilities		<u>82</u>	<u>75</u>
Total equity and liabilities		<u>199</u>	<u>165</u>

Under section 408 of the Companies Act 2006, the company is exempt from the requirements to present its own profit and loss account. The loss after tax for the period was £7,000 (2016: £1,000)

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2017 and were signed below on its behalf by:

C Weinberg
Director

The accounting policies on pages 16 and 22 and the notes on pages 47 to 52 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 3 APRIL 2017**

	Share capital	Share premium	Deferred shares	Other reserve	Available for Sale Financial Assets	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£000
Balance at 1 April 2015	51	5,370	2,594	212	4	(8,143)	88
Loss for the year	-	-	-	-	-	(1)	(1)
Other comprehensive income							
Unrealised gain on Available For Sale financial assets (*)	-	-	-	-	3	-	3
Total comprehensive income for the year	-	-	-	-	3	(1)	2
Balance at 31 March 2016	51	5,370	2,594	212	7	(8,144)	90
Loss for the period	-	-	-	-	-	(7)	(7)
Other comprehensive income							
Unrealised gain on Available For Sale financial assets (**)	-	-	-	-	34	-	34
Total comprehensive income for the period	-	-	-	-	34	(7)	27
Balance at 3 April 2017	51	5,370	2,594	212	41	(8,151)	117

(*) = Items which will not be subsequently be reclassified to the Income Statement.

(**) = Items which may subsequently be reclassified to the Income Statement.

The accounting policies on pages 16 and 22 and the notes on pages 47 to 52 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**COMPANY CASH FLOW STATEMENT
FOR THE PERIOD ENDED 3 APRIL 2017**

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Cash used in operations	(16)	(53)
Interest received	18	22
Net cash used in operating activities	2	(31)
Cash flows from investing activities	-	-
Net cash derived from investing activities	-	-
Cash flows from financing activities	-	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	2	(31)
Cash and cash equivalents at beginning of period	28	59
Cash and cash equivalents at end of period	30	28
CASH FLOW FROM OPERATING ACTIVITIES		
	2017	2016
	£'000	£'000
Loss before taxation	(8)	(1)
Adjustments for:		
Interest income	(18)	(22)
Changes in working capital:		
Decrease/ (increase) in trade and other receivables	3	17
Increase/(Decrease) in payables	7	(47)
Taxes paid	-	-
Cash used in operations	(16)	(53)

The accounting policies on pages 16 and 22 and the notes on pages 47 to 52 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - COMPANY
FOR THE PERIOD ENDED 3 APRIL 2017**

1. OPERATING COSTS AND OPERATING LOSS

Operating loss is stated after charging

2017	2016
£'000	£'000

Fees payable to the Company's auditor for the audit of the company's annual accounts	21	20
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2. STAFF COSTS AND EMPLOYEES

2017	2016
£'000	£'000

Wages and salaries	48	56
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The average monthly number of persons employed by the Company during the period was:

2017	2016
Number	Number

By activity

Directors	2	3
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Administration	1	1
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3. DIRECTOR'S REMUNERATION

2017	2016
£'000	£'000

Remuneration in respect of directors was as follows:

Remuneration	32	35
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4. KEY MANAGEMENT COMPENSATION

2017	2016
£'000	£'000

Remuneration of Company directors	32	35
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The Company made no pension contributions in respect of Company directors during the period ended 3 April 2017 or 31 March 2016.

5. INTEREST RECEIVED

2017	2016
£'000	£'000

Interest receivable on cash and cash equivalents	(18)	(22)
--	------	------

6. TAXATION

There is no taxation liability at 3 April 2017 (2016: £nil)

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - COMPANY
FOR THE PERIOD ENDED 3 APRIL 2017**

7. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000	Total £'000
COST		
At 1 April 2015	2	2
Additions	-	-
Disposals	-	-
	<hr/>	<hr/>
At 31 March 2016	2	2
	<hr/>	<hr/>
At 1 April 2016	2	2
Additions	-	-
Disposals	-	-
	<hr/>	<hr/>
At 3 April 2017	2	2
	<hr/>	<hr/>
ACCUMULATED DEPRECIATION		
At 1 April 2015	2	2
Charge for year	-	-
Eliminated on disposals	-	-
	<hr/>	<hr/>
At 31 March 2016	2	2
	<hr/>	<hr/>
At 1 April 2016	2	2
Charge for period	-	-
Eliminated on disposals	-	-
	<hr/>	<hr/>
At 3 April 2017	2	2
	<hr/>	<hr/>
CARRYING AMOUNTS		
At 3 April 2017	-	-
	<hr/>	<hr/>
At 31 March 2016	-	-
	<hr/>	<hr/>
At 31 March 2015	-	-
	<hr/> <hr/>	<hr/> <hr/>

8. CAPITAL COMMITMENTS

At 3 April 2017 the Company has no capital commitments (2016: £Nil)

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - COMPANY
FOR THE PERIOD ENDED 3 APRIL 2017**

9. INVESTMENTS IN SUBSIDIARIES

Company	% Holding	Activity	Registered office	Country of Incorporation
British Polar Engines Limited	100%	Manufacture and supply of diesel engines, associated servicing and sale of spare parts	133 Helen Street, Govan, Glasgow, G51 3HD	Scotland
Akoris Trading Limited *		No trading activity in the period	26 Red Lion Square, London, WC1R 4AG	England & Wales
Kelvin Diesels Limited*		Diesel Engines, acting as nominee for British Polar Engines Limited	133 Helen Street, Govan, Glasgow, G51 3HD	Scotland

The investment in British Polar Engines Limited and Akoris Trading Limited was fully provided against at 3 April 2017 and 31 March 2016.

* Held indirectly via British Polar Engines Limited

10 AVAILABLE FOR SALE INVESTMENTS

	2017 £'000	2016 £'000
Listed securities	169	134
		Available For Sale financial assets £
Opening balance		134
Additions		-
Net fair value gain		35
Disposals		-
Closing balance		169

Gains or losses on available for sale investments are presented within other comprehensive income.

IFRS 13 requires that the fair value reflects "exit price" and is valued in line with the relevant "unit of account" and the fair value of the equity investments held is calculated by reference to the quoted market price at the period end.

Available for sale investments, which are valued based on active markets' prices, are reported under Level 1 in the fair value hierarchy.

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS - COMPANY FOR THE PERIOD ENDED 3 APRIL 2017

11 TRADE AND OTHER RECEIVABLES	2017 £'000	2016 £'000
Trade and other receivables	-	2
Prepayments and accrued income	-	1
	<u>-</u>	<u>3</u>
12 TRADE AND OTHER PAYABLES	2017 £'000	2016 £'000
Amounts falling due within one year		
Trade and other payables	48	55
Accruals and deferred income	34	20
	<u>82</u>	<u>75</u>

13. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, available for sale financial assets, receivables and payables are assumed to approximate to their carrying values.

The Company's financial instruments comprise cash and various items, such as trade and other receivables, available for sale financial assets and trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations. At 3 April 2017 the Company has cash balances of £30,000 (2016: £28,000) and no bank overdraft (2016: £Nil).

RISKS

The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk. Market risk includes foreign exchange risk and interest rate risk. The Company has limited exposure to foreign exchange risk and also has no loans, therefore limited exposure to interest rate risk.

Cash and cash equivalents held at floating rates expose the entity to cash flow risk. Interest rate risk is limited to the cash and cash equivalents.

Based on the balance sheet value of cash and cash equivalents, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £300 (2016: £280).

The Board reviews and agrees policies for managing each of the above risks and they are summarised overleaf and in the accounting policies to the Company financial statements. These policies have been consistently applied throughout the period.

LIQUIDITY RISK

The Company's liquidity is dependent on the cash balances available and it is the Company's policy to place surplus cash on deposit to ensure as high a rate of return as possible. The Board reviews an annual 12 month financial projection as well as information regarding cash balances on a monthly basis.

13. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

The Company's principal financial assets are cash deposits, available for sale financial assets and trade and other receivables. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The credit risk arising from its trade and other receivables is negligible.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available for sale financial assets				
Quoted securities	169	-	-	169

14. DEFERRED TAXATION

	2017 £'000	2016 £'000
Arising from trading losses	254	298
Arising from capital losses	1,408	1,655
	<u>1,662</u>	<u>1,953</u>

The trading losses are available to be used against future profits. Deferred tax assets on the trading losses have not been provided in the financial statements as they are not sufficiently certain to crystallise in the foreseeable future. The amounts not recognised are set out above.

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS - COMPANY FOR THE PERIOD ENDED 3 APRIL 2017

15. CALLED UP SHARE CAPITAL	2017	2016
	£'000	£'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	51	51
1,313,427 deferred shares of £1.975 each share premium	2,594	2,594
	2,645	2,645
Carrying value:		
Equity shares:		
2,048,990 ordinary shares of £0.025 each	51	51

Further to the Extraordinary General Meeting held on 1 September 1999 the ordinary shares have 200 votes per share.

The deferred shares do not have voting rights and do not carry any entitlement to attend general meetings of the Company; they are not admitted to any Stock Exchange and carry a right to participate in any return of capital once an amount of £100 has been paid in respect of each new ordinary share.

16. CONTINGENT LIABILITIES

There were no contingent liabilities at 3 April 2017 or 31 March 2016.

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption with regard to disclosing transactions with wholly-owned subsidiaries, on the grounds that the results of the subsidiaries are included in the publicly available consolidated financial statements of Associated British Engineering Plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors are required to prepare financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRSs) and have also been chosen to prepare the parent company financial statements under IFRS as adopted by the European Union. 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 Group and Company and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- the directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position of the Group and Company and profit or loss of the Group; and
- the annual report, including the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties faced.

C Weinberg
Director

Date: 28 July 2017

ASSOCIATED BRITISH ENGINEERING PLC

CORPORATE GOVERNANCE REPORT (AS REFERRED TO IN THE DIRECTORS' REPORT)

In accordance with the requirements of the Listing Rules of the Financial Conduct Authority, set out below are details of the Company's corporate governance arrangements, including a statement as to how the Company applies the main principles of the UK Corporate Governance Code ("the Code"), together with a statement regarding its compliance with specific provisions. The Code is publicly available on the Financial Reporting Council's website www.frc.org.uk. Whilst welcoming the principles contained within the Code, the Board considers that it should be recognised that what may be appropriate for a large Company may not necessarily be so appropriate for a smaller company and the Company's current circumstances. As a result, the Company has been in compliance throughout the period with the provisions set out in the UK Corporate Governance Code with the following exceptions:-

- The division of responsibilities between the roles of chairman and chief executive have not been clearly established, set out in writing and agreed by the Board. This is contrary to provision A.2.1. This has not been put in place because there is no chief executive on the Board but the appointment of joint-chairmen provides checks and balances;
- The Company does not have a Nomination Committee, this is contrary to provisions B2.1–B2.2. This has not been considered necessary due to the size and nature of the Board which consists of two part time executive directors;
- The non-executive director of the Company has not been appointed for specific terms as required by provision B2.3. This has not been considered necessary as the sole incumbent resigned and a new non-executive director has not been appointed. ;
- There is no formal training programme for new directors on joining the Board. This is contrary to provision B4.2. This has not been considered necessary to date but will be actively considered by the Board for new appointments;
- The Board has not undertaken a formal and rigorous annual evaluation of its own performance and the individual directors. This is contrary to provision B.6.1. When a new non-executive director is appointed this will be implemented.
- The Board has not appointed independent non-executive directors as required by B1.2, C.3.1, A4, D2, and D2.1. The Board is actively pursuing suitable candidates for the position(s).

Board of Directors

The Board comprises two part time executive directors, as detailed in the Directors' Report.

The Board of Directors is responsible for formulating strategy and monitoring financial performance. The directors are in frequent contact throughout the period with the Group's business, meet as required and also attend formal Board meetings. The strategies proposed by management of the company and its subsidiaries are fully discussed, critically examined against the best and long term interests of not only the shareholders, but also customers, employees, suppliers and various communities and environments within which the Company operates. During the period, all serving directors were in attendance at Board meetings.

The Board retains full responsibility for the direction and control of the Group and has a formal schedule of matters in respect of which decisions are reserved to it, covering key areas including strategy formulation, acquisitions or disposals, approval of the budget for the subsidiary, financial results, board appointments and proposals for dividend payments.

The Board has full and timely access to relevant information throughout the Group.

ASSOCIATED BRITISH ENGINEERING PLC

CORPORATE GOVERNANCE REPORT (continued) (AS REFERRED TO IN THE DIRECTORS' REPORT)

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. There is also formal agreed procedure for directors in the furtherance of their duties to take independent professional advice as necessary at the Group's expense.

The business address of each of the directors is 9 High Street, Little Eversden, Cambridge CB23 1HE.

The Board is supported by a senior management team which includes the following individuals:

Stewart Davis (68), non-executive director of BPE and former managing director. Stewart has worked for BPE for 51 years and was its sales director from 1985 to 2007.

Bill Girdwood (42) he joined BPE in October 2014 from another engineering company and is now managing director with a special focus on sales and new products. It is regrettable that Bill Girdwood was taken ill shortly before the end of the financial year and remains on sick leave. Other Board members and management are assisting in covering his role on an interim basis

The current Directors

Rupert Pearce Gould
Colin Weinberg

Short biographies of the directors appear on page 63 and show considerable and varied experience in the business world and the City.

Under the Company's Articles of Association, new directors and at least one third of the directors retire from office each year. The retiring director is eligible for re-election.

At the period end, there were no independent non-executive directors. The directors continue to search for a suitable candidate for the role and intend to appoint a non-executive director in the near future.

Nominations Committee

The Appointment of directors will be discussed by the full Board until such time as there are two non-executive directors to form an effective committee. Potential new non-executive directors are proposed by all the members of the Board and major shareholders; the Board considers these in the light of the Company's business requirements and the need to have a balanced Board. The Board will then implement an appropriate review committee.

Audit Committee

The Company's audit committee comprises the full Board. The audit committee meets at least twice a year to monitor the financial reporting process, including its annual and interim accounts; the effectiveness of the Company's internal controls and risk management systems; statutory audit of the annual accounts; and to review and monitor the independence of the statutory auditor and provision of additional services to the Company.

There is no internal audit function. Due to the size of the finance function and the close involvement of directors, the Board and the Audit Committee do not consider there to be a need for a separate internal audit function.

As part of this process, the performance of the Group's major division is considered, with key judgements, estimates and accounting policies being approved by the subsidiary Board ahead of recommendation to the Group board. The primary areas of financial reporting judgement considered by the Committee in relation to the 2017 financial statements and how they were addressed are outlined below:

Revenue Recognition and Management Override

The Committee have reviewed the systems and control processes in place during the financial period to 3 April 2017 and concluded that, given the resources available, appropriate procedures are in place. There is sufficient level of supervisory oversight in place to ensure that revenue is not materially misstated and the risk of management override has been reduced.

ASSOCIATED BRITISH ENGINEERING PLC

CORPORATE GOVERNANCE REPORT (continued) (AS REFERRED TO IN THE DIRECTORS' REPORT)

Audit Committee (continued)

Inventory valuation

The Committee have reviewed the policy of valuing inventory and of providing for obsolete and slow-moving inventory lines. This is in line with their expectations and with the policies implemented by similar organisations.

Recoverability of receivables

The Committee have reviewed the policy for providing for doubtful debts and believe them to be both robust and adequate.

Assessing external audit effectiveness

The Audit Committee reviews audit quality every year using feedback from the Auditors and Senior Management Team. The effectiveness and quality of the audit process is considered by focussing on the scope of the audit and auditor independence in order to ensure that the quality of the audit process is not compromised and remains effective.

Pensions

The Committee continued to monitor the Company's pension arrangements, in particular the liability in respect of the defined benefit plans, which are sensitive to assumptions made in respect of discount rates and inflation. The Committee reviewed the actuarial assumptions used and compared them with those used by other companies, and considered them to be reasonable.

Going concern

The committee considered the use of the going concern basis, due to the continued losses being incurred. The audit committee has considered and approves of the changes in the company's policy of reducing the forecast period of the business insofar as it has exempted management from producing three-year projections. This will be reviewed annually.

Appointing the auditor and safeguards on non-audit services

haysmacintyre do not provide any prohibited non-audit services. In accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

The committee has overseen the preparation of the viability statement and has conducted a robust examination of the risks identified, the resulting actions that may be required and the project outcomes.

Remuneration

The Company's remuneration committee comprises Rupert Pearce Gould and Colin Weinberg. The remuneration committee is to meet at least twice a year and has as its remit the determination and review of, amongst others, the remuneration of directors including company directors together with any incentive plans adopted, or to be adopted, by the Company and the Group.

Communication with Shareholders

The Board believes it is important to respond adequately to the queries of both private and institutional shareholders.

The Chairman's Statement in the Annual Report contains a business review. An interim business review is also provided with the half yearly announcement. The Chairmen are available to shareholders at any time to discuss strategy and governance matters.

The Board seeks to ensure that its report and accounts and other financial statements provide a clear assessment of the Group's business. All shareholders have the opportunity to ask questions and express their views at the Company's Annual General Meeting, at which all directors are available to take questions.

AUDIT AND INTERNAL CONTROL

The directors are responsible for the Group's system of internal control and reviewing its effectiveness and the processes in place for risk management.

These controls can only ever provide reasonable but not absolute assurance that assets are safeguarded against material misstatement or loss, that proper accounting records are maintained, and that the information used internally, or for publication, is accurate and reliable. The key procedures, which exist to provide external control, are as follows

- a regular review is undertaken to assess the risks facing the trading subsidiary and to enhance the systems which manage the risk identified. Management establishes control procedures for each of the risks identified and reports whether the key controls have operated effectively
- agreement of Group short term financial objectives and business plans
- review by the Board of monthly Group Financial Statements and monitoring of results against budget. The executive directors attend regular Board meetings of the subsidiary(ies)
- Board control over treasury, taxation, legal, insurance and personnel issues
- The acquisition or disposal of a business may not be completed without the approval of the Board.
- The operational responsibility for preparing the consolidated accounts is delegated to a third party service provider with the Board retaining responsibility for overall content, presentation and final review of the consolidated accounts.

These controls can only ever provide reasonable but not absolute assurance that assets are safeguarded against material misstatement or loss, that proper accounting records are maintained, and that the information used internally, or for publication, is accurate and reliable. The key procedures, which exist to provide external control, are as follows -

- clearly defined organisation structures with segregation of duties wherever practicable. Operating and financial responsibilities for the subsidiary Companies are delegated to the subsidiaries Board and there are limits which apply to capital expenditure and significant contracts.
- a regular review is undertaken to assess the risks facing the trading subsidiaries and to enhance the systems which manage the risk identified. Management establishes control procedures for each of the risks identified and reports whether the key controls have operated effectively agreement of Group short term financial objectives and business plans
- review by the Board of monthly Group Financial Statements and monitoring of results against budget. The executive directors attend regular Board meetings of the subsidiaries
- Board control over treasury, taxation, legal, insurance and personnel issues
- The acquisition or disposal of a business may not be completed without the approval of the Board.
- The operational responsibility for preparing the consolidated accounts is delegated to a third party service provider with the Board retaining responsibility for overall content, presentation and final review of the consolidated accounts.

Risk Management

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant business risks faced by the Group, including those risks relating to social, environmental and ethical matters. This process was in place throughout the period under review and up to the date of approval of this report. The Audit Committee has kept under review the effectiveness of the system of internal control and has reported regularly to the Board.

Through these mechanisms, Group performance is continually monitored, risks identified in a timely manner, their financial implication assessed, control procedure re-evaluated and corrective actions agreed and where possible implemented.

The Board believes that it is not currently appropriate for the Group to maintain an internal audit function due to the size of the Group and the manner in which the Group operates.

Risk Management (continued)

The Board consider the independence and objectivity of the external auditor on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the period and information on the nature of the non-audit fees appear in note 3 to the financial statements. There were no prohibited non-audit fees incurred from the auditor during the period. The Board also receive an annual confirmation of independence from the auditors.

Fair, Balanced and Understandable

We consistently seek to improve the process of compiling the Annual Report to give the Board more time to assess whether it was fair, balanced and understandable, as required by the Code. The Board considered whether the Annual Report contained the necessary information for shareholders to assess the Group's performance, business model and strategy. The tone was reviewed to ensure a balanced approach and, with the support of the Audit Committee, the Board made sure the narrative at the front end of the report was consistent with the financial statements.

VIABILITY STATEMENT

In accordance with provision C2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council ("FRC") in September 2014, the directors have assessed the viability of the Group over the immediate and foreseeable future (up to two years from the date of the accounts) and in consideration of its sales and marketing projections. This assessment has been made taking account of the current position of the Group, the present immediate plan, the corporate planning process, a budget for the operating company and the Group's principle risks associated with the current plan.

The provision C2.2 of the UK Corporate Governance Code and Appendix B of the FRC Guidance state that the period covered for longer term viability statement should be significantly longer than 12 months from approval of the financial statements. The Board believe that a two year period is appropriate for the Group as within two years the company will be over the issues connected with the introduction of the new series Kelvin engine to the product line. This together with a prospective rise orders in the reviving British Polar engines spares market. In order to manage its working capital and address any cash shortfall, during this two-year period the Group may need to realise some of its investments and/or need to raise funds. Assessing the longer-term viability of any company at this early stage of the strategy implementation is inevitably a challenge given the volatility in markets. The Board are determined to continually revise its plans and amend them should that prove necessary and anticipated sales not materialise.

The budgets where applicable include an assessment of live business opportunities of which the Board are aware at the time of writing this report.

Following this assessment, the Board have concluded, based on the budgets produced and the financial position of the Group, that there is reasonable expectation that the Group have adequate resources and will continue to operate and meeting its liabilities as they fall due.

In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. The Directors have made the following key assumptions in connection with this assessment:

- there is no significant unexpected sale attrition and projected engine and parts sales are not significantly lower than anticipated;
- the Group is able to execute its sales growth strategy and deliver forecast margin improvements.

ASSOCIATED BRITISH ENGINEERING PLC

CORPORATE GOVERNANCE REPORT (continued) (AS REFERRED TO IN THE DIRECTORS' REPORT)

GOING CONCERN

The financial statements have been prepared on the going concern basis and based on our plans for the next two years (Please see Viability statement above and the going concern statement on page 5). There have been no changes to accounting policies in the period. The most notable accounting event has been the extended losses that have resulted from a further decline in turnover from last year. The Board is implementing its strategy for addressing this and for developing fresh sales areas to utilise the company's expertise in its core business. This plan also remains subject to the recovery plan agreed with the Trustees of our pension fund, which is set out in Contributions by employer in respect of the shortfall in funding following the triennial review on page 36.

Based on the Group's budgets, cash forecasts which assume a combination of disposal of investments and a need for fundraises or loans in the immediate to short term, the Board considers that the Group has sufficient resources to meet all necessary outgoings and to enable it to continue in operational existence for the foreseeable future.

On behalf of the Board

C Weinberg

Director

Date 28 July 2017

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies (accounts and Reports) (Amendment) Regulations 2013 in respect of the period ended 3 April 2017. The reporting requirements entail two sections to be included, a Policy Report and an Annual Remuneration Report which are presented below.

The Company's auditor, haysmacintyre, is required to give its opinion on certain information included in this report, this comprises of the Directors Remuneration – single figure table on page 58 and the information on directors shareholdings which is contained in the directors report on page 4 and also forms part of this directors' remuneration report. Their report on these and other matters is set out on pages 3 to 5.

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Company's Remuneration Committee considers Directors' remuneration and has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the period although the Directors expect from time to time to review the fees against those paid to boards of directors of comparable organisations and appointments. The Company does not have a Chief Executive Officer, Senior Management or any full time employees and relies on senior management in each subsidiary.

DIRECTORS' REMUNERATION POLICY REPORT

The roles of the directors are as follows:-

Joint Chairman and Deputy Chairman – Rupert Pearce Gould (part time executive - operational)
Joint Chairman and Deputy Chairman – Colin Weinberg (part time executive - finance)

The Company's policy is for the Directors to be remunerated in the form of fees, payable monthly in arrears. The non-executive directors each receive a fee for their services, which is agreed by the Remuneration Committee after reviewing comparable organisations and appointments. None of the non-executive directors receive a pension or other benefit from the Company, nor do they participate in any bonus or incentive schemes or share option schemes.

The fees are not specifically related to the Directors' performance, either individually or collectively. The Board is also entitled to be repaid all reasonable travelling subsistence and other expenses incurred by them respectively whilst conducting their duties as Directors, however no other remuneration or compensation was paid or payable by the company during the period to any of the current Directors. There will be no payment for loss of office unless approved by a separate shareholder resolution.

Major decisions on Remuneration

The Company's policy is that the fees payable to each director should reflect the time spent by the directors on the Company's affairs and the responsibilities borne by each of the directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairmen of the Board to be paid higher fees than the other directors in recognition of the more onerous role. The Remuneration policy is to review the director's fee rates from time to time, benchmarking the fees against comparable organisations and appointments, although such review will not necessarily result in any change. Due to the nature of the Company, there are no full time employees and therefore the requirement to consider the percentage change in remuneration of all employees when determining the Directors' remuneration is not considered to be relevant.

The directors have agreements with the company that may be terminated on one year's notice. In accordance with the Articles of Association each director retires from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring director is eligible for re-election.

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REMUNERATION REPORT (Continued)

A Director may resign by notice in writing to the Board at any time giving one month's notice. None of the Directors are entitled to compensation payable upon early termination of their arrangements other than in respect of any unexpired notice period.

In accordance with the reporting requirements of Large and Medium sized Companies (accounts and Reports) (Amendment) Regulations 2013, an Ordinary resolution for the approval of the remuneration policy of the Company to remain in force for a three year period, was put to the members of the Annual General Meeting and was effective from that date.

DIRECTORS' REMUNERATION – SINGLE FIGURE TABLE (AUDITED)

	2017	2016
	Total	Total
	£'000	£'000
Mr S Cockburn (Vacated office 29 September 2015)	-	5
Mr R Pearce Gould	10	10
Mr C Weinberg	20	20
	30	35

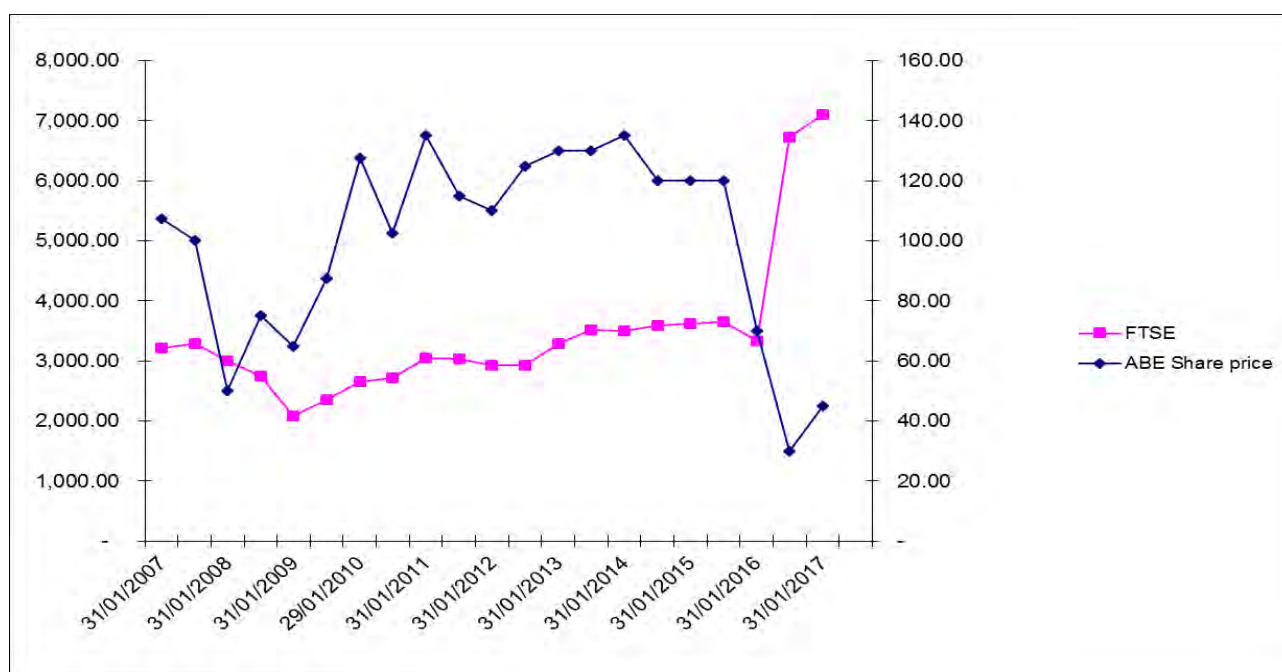
The amounts above all relate to directors fees and represent the total remuneration of the company's directors but excludes fees of £16,000 pa (2016: £15,000) paid by a subsidiary to Cambridge Management Consultants Limited, a company related to Mr Pearce Gould.

This section of the report is subject to approval by a simple majority of shareholders at the AGM in or around September 2017, as in previous years.

Statement of Voting at the Annual General Meeting (AGM)

The 2016 Remuneration Report was presented to the AGM in September 2016 and received shareholder approval following a vote on a show of hands. 0.55% of the votes cast on the proxy forms were against the Report and no votes were withheld. The proxy forms returned contained no explanation for the votes against the resolution.

Total Shareholder Return (TSR)



Source: Yahoo UK finance

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REMUNERATION REPORT

The graph on page 59 shows the Company's TSR performance compared to the FTSE All Share index over the past five years. TSR is defined as share price growth plus reinvested dividends. This provides a basis for comparison with a relevant equity index but should be treated with caution in view of the small market in the Company's shares.

A statement of directors' shareholdings and interest is reported in the directors' report on page 4.

Company Performance

The Board is responsible for the Company's business strategy and performance.

The Statement of Directors' responsibilities, Corporate Governance report and the Directors' Remuneration report on pages 53 to 62 form part of the Directors' report.

On behalf of the Board

C Weinberg
Director

Date 28 July 2017

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS AND ADVISERS

The Board comprises two directors:

COLIN WEINBERG (68) became a non-executive director on 10 November 2003. He was a member of the London Stock Exchange from 1980 to 1987 and was admitted to fellowship of the Securities Institute in 1995. He was previously a non-executive director of Peckham Building Society.

RUPERT PEARCE GOULD (65), was appointed as non-executive director on 18 September 2015. Rupert has a degree in engineering and has served as an executive director and chairman in both the public and private sector. He has been chairman of BPE since 2000 and was previously a director of the company for 2 years until 2002.

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