

ASSOCIATED BRITISH ENGINEERING PLC
INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 MARCH 2021

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ASSOCIATED BRITISH ENGINEERING PLC
CHAIRMAN'S STATEMENT

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2021

SUMMARY OF RESULTS	Six months to 31 March 2021 £'000	Period to 30 September 2020 £'000
Revenue	-	165
(Loss)/profit before tax	(49)	145
Profit on disposal of discontinued operations	-	5,239
Earnings per share		
Basic	(2.3p)	263.0p
Diluted	(2.3p)	263.0p

As shareholders are aware the Company disposed of its interest in British Polar Engines Limited on 4 August 2020 immediately following authorisation by shareholders; the audited results for the period to 30 September 2020 were published on 31 March 2021 and are available from our web site. Although there was an audit qualification, which related to our inability to access or be provided with information at British Polar Engines, this did not relate to the balance sheet as at 30 September 2020 – so we started with a clean base.

You will see from our financial numbers and balance sheet that in the period there was a loss of £49k that covered company expenses and was offset by realising gains on the sales of our investments of £283k, see page 6 of the accounts, £140k that related to prior periods and £143k that related to this 6 month period. This is due to the increase in value of the Company's investments in the period.

As the investments have gained in value, the Company has started the process of realising its investments. It is expected that these and future capital gains will be tax free due to inherited capital gains tax losses so no provision has been made for any tax payments. The Board will take the opportunity to liquidate investments and invest for future growth when suitable opportunities occur.

Your Company is now in a position to talk to potential acquisitions without having to consider the impact of the pension fund and related historical deficits. The Board is now committed to using all its efforts to identifying and acquiring a new business with growth potential and hopefully showing profits for our group and a financial return for our patient shareholders.

The Board continues to review options for the future development of the Group.

Colin Weinberg and Rupert Pearce Gould
Chairmen

8 June 2021

**ASSOCIATED BRITISH ENGINEERING PLC
RESPONSIBILITY STATEMENT**

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2021

The Directors of the Company confirm to the best of their knowledge that:

- a) the Interim Report has been prepared in accordance with IAS 34;
- b) the Interim Report includes a fair view of the information required by DTR 4.2.7R, being an indication of the important events that have occurred during the first six months of the financial year and a description of the principal risks and uncertainties for the remaining six months of the year; and
- c) the Interim Report includes a fair review of the information required by DTR 4.2.8R, being disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period; and any changes in the related party transactions described in the latest annual financial statements that could do so.

By order of the Board

Colin Weinberg and Rupert Pearce Gould
Chairmen

8 June 2021

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Six months to 31 March 2021 £'000	Period to 30 September 2020 £'000
REVENUE	-	165
Operating costs	<u>(50)</u>	<u>(26)</u>
OPERATING (LOSS)/PROFIT	(50)	139
Finance expense	-	-
Finance income	-	1
Other income	<u>1</u>	<u>5</u>
(LOSS)/PROFIT BEFORE TAXATION	(49)	145
Taxation	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUOUS OPERATIONS	<u>(49)</u>	<u>145</u>
PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS	-	5,239
TOTAL (LOSS)/PROFIT FOR THE PERIOD	<u>(49)</u>	<u>5,384</u>
(LOSS)/PROFIT PER SHARE ON (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Basic and diluted profit from discontinued operations	-	256.0p
Basic and diluted (loss)/profit	<u>(2.3p)</u>	<u>263.0p</u>
(Loss)/profit for the period attributable to:		
Owners of the company	(49)	5,384
Non-controlling interest	<u>-</u>	<u>-</u>
	<u>(49)</u>	<u>5,384</u>

Profit on disposal of discontinued operations reported in the comparative period relates to the disposal of British Polar Engines Limited ("BPE"), the Group's main trading subsidiary, completed on 4 August 2020, details of which were disclosed in the statutory consolidated financial statements of Associated British Engineering Plc for the period to 30 September 2020.

ASSOCIATED BRITISH ENGINEERING PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Six months to 30 March 2021 £'000	Period to 30 September 2020 £'000
(Loss)/profit for the period	<u>(49)</u>	<u>5,384</u>
Other comprehensive income		
Gain on available for sale financial asset		
Gains released to Retained Earnings	143	-
Unrealised gains (*)	<u>373</u>	<u>327</u>
Other comprehensive income for the period	<u>516</u>	<u>327</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>467</u>	<u>5,711</u>
Total comprehensive income attributable to:		
Owners of the Company	467	5,711
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>467</u>	<u>5,711</u>

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

All activities are classified as continuing.

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM BALANCE SHEET
AS AT 31 MARCH 2021

Company Number: 00110663

	At 31 March 2021 £'000	Period to 30 September 2020 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	-	-
Available for sale financial assets	622	413
	<u>622</u>	<u>413</u>
Current assets		
Property, plant and equipment	-	-
Available for sale financial assets	-	-
Inventories	-	-
Trade and other receivables	99	24
Cash and cash equivalents	383	186
	<u>482</u>	<u>210</u>
Total assets	<u>1,104</u>	<u>623</u>
EQUITY AND LIABILITIES		
Called up share capital	51	51
Deferred shares	2,594	2,594
Share premium account	5,370	5,370
Other components of equity	11	11
Fair value reserve	558	270
Revaluation reserve	-	-
Retained earnings	(7,526)	(7,705)
	<u>(7,526)</u>	<u>(7,705)</u>
Equity attributable to the Company's Equity Shareholders	1,058	591
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>1,058</u>	<u>591</u>
LIABILITIES		
Non-current liabilities		
Retirement benefit obligation	-	-
Obligation under finance leases	-	-
	<u>-</u>	<u>-</u>
Current liabilities		
Trade and other payables	46	32
	<u>46</u>	<u>32</u>
Total liabilities	<u>46</u>	<u>32</u>
Total equity and liabilities	<u>1,104</u>	<u>623</u>

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Share Capital £'000	Share Premium £'000	Deferred Shares £'000	Other Reserve £'000	Fair value reserve £'000	Revaluation reserve £'000	Retained Earnings £'000	Attributable to owners of parent £'000	Total £'000
Balance at 1 April 2019	51	5,370	2,594	11	805	550	(13,089)	(3,708)	(3,708)
Profit for the period	-	-	-	-	-	-	145	145	145
Other comprehensive income									
Disposal of subsidiary	-	-	-	-	(862)	(550)	5,239	3,827	3,827
Unrealised gain on Available For Sale Financial Assets (*)	-	-	-	-	327	-	-	327	327
Balance at 1 October 2020	51	5,370	2,594	11	270	-	(7,705)	591	591
Loss for the period	-	-	-	-	-	-	(49)	(49)	(49)
Other comprehensive income									
Unrealised gain on Available For Sale Financial Assets	-	-	-	-	516	-	-	516	516
Realised gain on Available For Sale Financial Assets									
Fair Value adjustments	-	-	-	-	55	-	(55)	-	-
Realised gains	-	-	-	-	(283)	-	283	-	-
Balance at 31 March 2021	51	5,370	2,594	11	558	-	(7,526)	1,058	1,058

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

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Six months to 31 March 2021 £'000	Period to 30 September 2020 £'000
Cash flows from operating activities		
Cash used in operations	(110)	91
Interest received	-	-
Interest paid	-	-
Taxation	-	-
Net cash used in operating activities	<u>(110)</u>	<u>91</u>
Cash flows from investing activities		
Proceeds from sale of equipment	-	-
Purchase of equipment	-	-
Movements investments	-	(65)
Sale proceeds of investments held for sale	307	-
Sale proceeds from subsidiary disposal/loan assignment	-	100
Net cash used in investing activities	<u>307</u>	<u>35</u>
Net increase in cash and cash equivalents	197	126
Cash decrease on disposal of subsidiary	-	(329)
Cash and cash equivalents at beginning of period	<u>186</u>	<u>389</u>
Cash and cash equivalents at end of period	<u><u>383</u></u>	<u><u>186</u></u>

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM CASH FLOW STATEMENT (*continued*)
FOR THE SIX MONTHS ENDED 31 MARCH 2021

CASH FLOW FROM OPERATING ACTIVITIES	Six months to 31 March 2021	Period to 30 September 2020
	£'000	£'000
(Loss)/Profit before taxation	(49)	145
Adjustments for:		
Depreciation	-	-
Interest income	-	-
Finance expense	-	-
Foreign exchange difference	-	-
Profit on disposal of equipment	-	-
Changes in working capital:		
Increase in trade and other receivables	(75)	(20)
Increase/(decrease) in payables	14	(34)
	<u>(110)</u>	<u>91</u>
Taxes paid	-	-
Cash used in operations	<u><u>(110)</u></u>	<u><u>91</u></u>

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT
FOR THE SIX MONTHS ENDED 31 MARCH 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Company is incorporated in the United Kingdom under the Companies Act 2006.

This unaudited Group Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the disclosure requirements of the Listing Rules. The policies set out below have been consistently applied to all periods presented.

This Group Interim Report is not audited.

These financial statements are for the period 1 October 2020 to 31 March 2021. The comparative figures are for the period 1 April 2019 to 30 September 2020 (18 months). The last interim period of account for which interim financial statements were prepared was for the 6 months ended 30 September 2019. As such, these numbers have not been included as they are not directly comparable and not considered to enhance the understanding of the reader. In addition, the directly comparable 6 month period from 1 October 2019 to 31 March 2020 has not been included as the directors do not have access to the figures for this period. This is referenced in the below disclaimer of opinion which was included in the Audit Report in the financial statements for the 18 month period ended 30 September 2020.

On 4 August 2020 the company disposed of its investment in British Polar Engines Limited which was the main trading subsidiary of Associated British Engineering PLC. We have been unable to obtain from the management of British Polar Engines Limited details of the profit and loss account during the period 1 April 2019 until the date of disposal in August 2020. We are therefore unable to confirm or verify by alternative means the amounts included in the consolidated statement of comprehensive income. As a result of this matter we have been unable to determine whether any adjustments might have been found necessary to the elements included in the consolidated statement of comprehensive income or consolidated statement of cash flows. This has not impacted our work on the consolidated statement of financial position as at the 30 September 2020 and the remainder of the group, as the assets and liabilities of the disposed subsidiary are not included at the balance sheet date. The parent company statement of financial position is also unaffected as the investment has been disposed.

The results for the period ended 30 September 2020 have been extracted from the statutory consolidated financial statements of Associated British Engineering Plc, which are prepared in accordance with IFRS, as adopted by the EU.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following standards and amendments to existing standards became effective from 1 January 2020 and are applicable for the current reporting period:

- Amendments to IFRS 3, Business Combinations. The amendment clarifies the definition of a business by providing a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.
- Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify the definition of 'materiality' and how it should be applied. The amendments also improve the explanations of the definition and ensure consistency across all IFRS standards.
- Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures. The amendments provide relief from specific hedge accounting requirements to address the potential uncertainty caused by the IBOR reform.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (*continued*)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (*continued*)

The adoption of the above new and revised standards had no impact on the financial statements of the Group for the period ended 31 March 2021.

The following amendments to existing standards have been issued, but will become effective for annual periods beginning on or after 1 January 2021.

- Amendments to IAS 1, Presentation of Financial Statements. The amendments clarify the basis used for the classification of current and non-current liabilities.
- Amendments to IAS 8, Accounting policies, Changes in Accounting Estimates and Errors. The amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to distinguish changes in accounting estimates from changes in accounting policies.
- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The amendments clarify the costs that should be included when assessing whether a contract is onerous.

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 Chairmen's statement on page 1. The financial position of the Group, its cash flows and liquidity position are described in the financial statements.

The Company has sufficient financial resources. As a consequence, the Directors believe the Company is well placed to manage its business risks successfully, including the impact of Covid-19 and Brexit. The Directors regularly review the forecasts.

In accordance with their responsibilities, the Directors of the Company have considered the appropriateness of the going concern basis, which has been used in the preparation of these financial statements. The Directors have prepared trading and cash flow forecasts for the Company, which take into account the future performance of the Company and consider the impact of the Covid-19 pandemic. The forecasts, including allowance for reasonable possible changes in trading performance indicate that the Company should be able to operate for at least 12 months from the approval of these financial statements.

The forecasts for the 12 months from approval of these financial statements have been considered. As a result of the above assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum period of 12 months from the date of signing these financial statements. Thus, they are adopting the going concern basis in preparing the annual financial statements.

BASIS OF CONSOLIDATION

The Group Interim Report incorporates the financial statements of Associated British Engineering Plc and its subsidiary undertakings for the six months to 31 March 2021. All inter-company balances and transactions have been eliminated in full. The Group Interim Report includes the results of subsidiaries acquired or disposed of during the year from or to the effective date of acquisition or disposal.

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 acquisition of subsidiaries by the Group. The cost on 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 for the period in which they are incurred.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 31 MARCH 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated financial statements consist of the results of the following entities:

<u>Entity</u>	<u>Summary Description</u>
Associated British Engineering Plc (ABE)	Holding Company
Akoris Trading Ltd (AT)	Trading Company

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 Judgement

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

Deferred taxation

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.

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 periods 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.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 31 MARCH 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION (continued)

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.

FOREIGN CURRENCIES

The functional and presentational currency of the parent company and its subsidiaries is UK Pound Sterling, rounded to the nearest thousand. 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and 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 and 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.

Trade and other receivables

Trade and other receivables are originally recognised at fair value. 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.

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.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 31 MARCH 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 represent 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. Revaluation reserve includes all gains and losses relating to Property, Plant and Equipment. All transactions with owners of the parent are recorded separately within equity.

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.

2. SEGMENTAL ANALYSIS

	Six months to 31 March 2021 £'000	Period to 30 September 2020 £'000
United Kingdom	-	165
	<u>-</u>	<u>165</u>

All revenue originates in the United Kingdom.

In the periods ended 31 March 2021 and 30 September 2020, 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 Akoris Trading Limited.

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

Akoris Trading Limited is a commodity and natural resource trading, finance and investment company.

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

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 31 MARCH 2021

2. SEGMENTAL ANALYSIS (continued)

	Associated British Engineering Plc £'000	Akoris Trading Ltd £'000	Consolidated
Six months to 31 March 2021			
External sales	-	-	-
Segment result (PBIT)	<u>(47)</u>	<u>(2)</u>	<u>(49)</u>
Net finance expense			-
Taxation			-
Loss after tax			<u>(49)</u>
Other information			
Capital additions	-	-	-
Balance sheet			
Segment assets	<u>1,074</u>	<u>30</u>	<u>1,104</u>
Period to 30 September 2020			
External sales	165	-	165
Segment result (PBIT)	<u>146</u>	<u>(1)</u>	<u>145</u>
Net finance expenses			-
Taxation			-
Profit after tax			<u>145</u>
Other information			
Capital additions	-	-	-
Balance sheet			
Segment assets	<u>591</u>	<u>32</u>	<u>623</u>

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (*continued*)
FOR THE SIX MONTHS ENDED 31 MARCH 2021

3. PRINCIPAL RISKS AND UNCERTAINTIES

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 an exposure to foreign exchange risk to the extent that investments may be priced in US dollars or other currencies and 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 £3,828 (2020: £1,865).

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 holds no stock and as such has no exposure to commodities.

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.

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.