

ASSOCIATED BRITISH ENGINEERING PLC
INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2018

ASSOCIATED BRITISH ENGINEERING PLC
INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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**ASSOCIATED BRITISH ENGINEERING PLC
CHAIRMAN'S STATEMENT**

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

SUMMARY OF RESULTS	Six months to 30 September 2018 £'000	Six months to 30 September 2017 £'000	Year to 30 March 2018 £'000
Revenue	498	666	1,603
Loss before Tax	(342)	(377)	(582)
Earnings/(loss) per Share			
Basic	(16.7p)	(18.4p)	(20.6p)
Diluted	(16.7p)	(18.4p)	(20.6p)

The Group incurred a pre-tax loss of £342,000 for the six-month period to 30 September 2018. This represents a decreased loss of £35,000 on the similar financial period last year and is due to a reduction in the loss before interest and tax at British Polar Engines Limited ('BPE').

The turnover for our main operating subsidiary British Polar Engines (BPE) decreased to £498,000 for the period ending 30th September 2018 (2017 £666,000) resulting in a reduced loss for the interim period of £357,000 (2017 loss £369,000). It is a disappointment that sales have further declined and as a result and following these results the Board have instituted a round of reorganisation and rationalisation within the various arms of the business. It is anticipated that these rationalisations will produce a saving in excess of £150,000 in a full year. Since the interim figures there have been signs that sales opportunities in the spares business are increasing and we are working hard to convert these leads into firm sales.

The Board keeps the central costs of the Group under review and maintains them at a very low level. There are some signs that sales opportunities are increasing again and we are working hard to convert them. The Board is also working to ensure that its investments and cash in the business generate value for shareholders commensurate with the risk.

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

Colin Weinberg and Rupert Pearce Gould
Chairmen

30 November 2018

**ASSOCIATED BRITISH ENGINEERING PLC
RESPONSIBILITY STATEMENT**

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

30 November 2018

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months to 30 September 2018 £'000	Six months to 30 September 2017 £'000	Period to 31 March 2018 £'000
Revenue	498	666	1,603
Operating costs	<u>(835)</u>	<u>(1,039)</u>	<u>(2,128)</u>
OPERATING LOSS	(337)	(373)	(525)
Finance expense	(5)	(4)	(57)
Finance income	<u>-</u>	<u>-</u>	<u>-</u>
LOSS BEFORE TAXATION	(342)	(377)	(582)
Taxation	<u>-</u>	<u>-</u>	<u>160</u>
LOSS FOR PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	<u>(342)</u>	<u>(377)</u>	<u>(422)</u>
LOSS PER SHARE ON LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Basic and diluted	<u>(16.7p)</u>	<u>(18.4p)</u>	<u>(20.6p)</u>
Loss for the period attributable to:			
Owners of the company	(342)	(377)	(422)
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(342)</u>	<u>(377)</u>	<u>(422)</u>

ASSOCIATED BRITISH ENGINEERING PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months to 30 September 2018 £'000	Six months to 30 September 2017 £'000	Period to 31 March 2018 £'000
Loss for the period	<u>(342)</u>	<u>(377)</u>	<u>(422)</u>
Other comprehensive income			
Re-measurement of the net defined benefit liability (*)	-	-	(54)
Gain/(loss) on available for sale financial asset (**)	384	(52)	(168)
Surplus on revaluation of properties	<u>-</u>	<u>-</u>	<u>600</u>
Other comprehensive income for the year	384	(52)	378
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>42</u>	<u>(429)</u>	<u>(44)</u>
Total comprehensive loss attributable to:			
Owners of the company	42	(429)	(44)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	<u>42</u>	<u>(429)</u>	<u>(44)</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.

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2018

Company Number: 00110663

	At 30 September 2018 £'000	At 30 September 2017 £'000	Period to 31 March 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	784	272	833
Available for sale financial assets	565	382	264
	<u>1,349</u>	<u>654</u>	<u>1,097</u>
Current assets			
Inventories	1,008	1,345	1,037
Trade and other receivables	220	215	518
Cash and cash equivalents	474	346	344
	<u>1,702</u>	<u>1,906</u>	<u>1,899</u>
Total assets	<u>3,051</u>	<u>2,560</u>	<u>2,996</u>
EQUITY AND LIABILITIES			
Called up share capital	51	51	51
Deferred shares	2,594	2,594	2,594
Share premium account	5,370	5,370	5,370
Other components of equity	11	11	11
Available for Sale financial assets	319	52	(64)
Revaluation reserve	600	-	600
Retained earnings	(7,927)	(7,487)	(7,586)
	<u>1,018</u>	<u>591</u>	<u>976</u>
Equity attributable to the Company's Equity Shareholders	<u>1,018</u>	<u>591</u>	<u>976</u>
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,018</u>	<u>591</u>	<u>976</u>
LIABILITIES			
Non-current liabilities			
Retirement benefit obligation	1,354	1,380	1,354
Obligation under finance leases	4	18	13
Deferred tax liabilities	-	-	-
	<u>1,358</u>	<u>1,398</u>	<u>1,367</u>
Current liabilities			
Trade and other payables	660	545	631
Obligations under finance leases	15	26	22
	<u>675</u>	<u>571</u>	<u>653</u>
Total liabilities	<u>2,033</u>	<u>1,969</u>	<u>2,020</u>
Total equity and liabilities	<u>3,051</u>	<u>2,560</u>	<u>2,996</u>

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share Capital £'000	Share Premium £'000	Deferred Shares £'000	Other Reserve £'000	Available for Sale Financial Assets £'000	Revaluation reserve £'000	Retained Earnings £'000	Attributable to owners of parent £'000	Total £'000
Balance at 4 April 2017	51	5,370	2,594	11	104	-	(7,110)	1,020	1,020
Loss for the period	-	-	-	-	-	-	(377)	(377)	(377)
Unrealised loss on Available For Sale Financial Assets (**)	-	-	-	-	(52)	-	-	(52)	(52)
Balance at 30 September 2017	51	5,370	2,594	11	52	-	(7,487)	591	591
Loss for the period	-	-	-	-	-	-	(45)	(45)	(45)
Other comprehensive income									
Actuarial loss in defined benefit plan	-	-	-	-	-	-	(54)	(54)	(54)
Unrealised loss on Available For Sale Financial Assets (***)	-	-	-	-	(116)	-	-	(116)	(116)
Revaluation									
Surplus on revaluation of freehold property	-	-	-	-	-	600	-	600	600
Total comprehensive income for the period	-	-	-	-	(116)	600	(99)	385	385
Balance at 1 April 2018	51	5,370	2,594	11	(64)	600	(7,586)	976	976
Loss for the period	-	-	-	-	-	-	(342)	(342)	(342)
Unrealised gain on Available For Sale Financial Assets (**)	-	-	-	-	384	-	-	384	384
Balance at 30 September 2018	51	5,370	2,594	11	319	600	(7,927)	1,018	1,018

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

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

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months to 30 September 2018 £'000	Six months to 30 September 2017 £'000	Period to 31 March 2018 £'000
Cash flows from operating activities			
Cash used in operations	(8)	(142)	(256)
Interest received	-	9	-
Interest paid	(4)	(19)	(57)
Taxation	-	-	160
Net cash used in operating activities	<u>(12)</u>	<u>(152)</u>	<u>(153)</u>
Cash flows from investing activities			
Proceeds from sale of equipment	18	-	2
Purchase of equipment	(2)	-	(14)
Purchase of investments	-	-	-
Sale proceeds of investments held for sale	142	-	-
Net cash used in investing activities	<u>158</u>	<u>-</u>	<u>(12)</u>
Cash flows from financing activities			
New finance lease	-	-	11
Proceeds from finance leases/(redemption of)	(16)	(37)	(37)
Redemption of loan notes	-	-	-
Net cash generated from financing activities	<u>(16)</u>	<u>(37)</u>	<u>(26)</u>
Net decrease in cash and cash equivalents	130	(189)	(191)
Cash and cash equivalents at beginning of period	<u>344</u>	<u>535</u>	<u>535</u>
Cash and cash equivalents at end of period	<u>474</u>	<u>346</u>	<u>344</u>

ASSOCIATED BRITISH ENGINEERING PLC
GROUP INTERIM CASH FLOW STATEMENT (continued)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

CASH FLOW FROM OPERATING ACTIVITIES	Six months to 30 September 2018 £'000	Six months to 30 September 2017 £'000	Period to 31 March 2018 £'000
Loss before taxation	(342)	(377)	(582)
Adjustments for:			
Depreciation	33	31	86
Interest income	-	(9)	-
Finance expense	4	19	57
Foreign exchange difference	-	(23)	2
Pension scheme interest expense	-	-	36
Cash paid in excess of current pensions service cost	-	-	(116)
Profit on disposal of equipment	(1)	-	(2)
Profit on disposal of Available for Sale investments	(58)	-	-
Changes in working capital:			
Decrease/(increase) in inventories	29	(13)	295
Decrease/(increase) in trade and other receivables	299	299	(5)
Increase/(decrease) in payables	28	(69)	(27)
	(8)	(142)	(256)
Taxes paid	-	-	-
Cash used in operations	(8)	(142)	(256)

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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.

The results for the period ended 31 March 2018 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 became applicable for the current reporting period:

- IFRS 9 *Financial Instruments*, and
- IFRS 15 *Revenue from Contracts with Customers*.

The adoption of these standards has had 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.

GOING CONCERN

The financial statements have been prepared on the going concern basis. There have been no changes to accounting policies in the 6 month period to 30 September 2018. Based on the group's budgets and cash forecasts, 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.

BASIS OF CONSOLIDATION

The Group Interim Report incorporates the financial statements of Associated British Engineering Plc and its subsidiary undertakings to 30 September each year. 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.

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 by 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (*continued*)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

BUSINESS COMBINATIONS (*continued*)

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.

Goodwill is measured in 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 process undertaken, are as follows:

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Pension Scheme

The Directors are in regular contact with the Trustees of the pension scheme in connection with the following 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 where possible all 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 certain industry standards and norms.

Deferred taxation

Please refer to taxation policy below.

Available for Sale Financial Assets

British Polar Engines holding in SalvaRx was 2.13% (September 2017: 2.36%). 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.

Accounting Estimates

The accounting estimate having an impact on carrying amounts of assets and liabilities in the reporting period is as follows:

Inventories

Inventories held by the Group consist of raw material (mainly components), work in progress (manufactured engine parts), and finished goods (both purchased and manufactured engine 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 between 5% and 100% over all stock lines that have not moved for more than one year.

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.

Provision for doubtful debts

At the balance sheet date, each subsidiary evaluates the collectability of trade receivables and records provisions for doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery and could impact future operating results positively or negatively.

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 calculated 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASED ASSETS

Leases of property, 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.

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 basis:

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

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 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.

The tax currently payable is based on taxable profit for the year. 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 substantively 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 30 SEPTEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

TAXATION (continued)

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 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.

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.

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 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.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

FINANCIAL INSTRUMENTS (continued)

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 profit or loss.

IMPAIRMENT OF TANGIBLE ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets 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 (or 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 (or 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 (or cash-generating unit) in prior years.

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.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

EQUITY AND RESERVES (continued)

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

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 30 September 2018 £'000	Six months to 30 September 2017 £'000	Period to 31 March 2018 £'000
United Kingdom	255	339	936
Europe	97	74	138
Far East and Australasia	41	59	64
Africa	74	39	176
North and South America	31	147	201
Middle East	-	8	88
	498	666	1,603

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

In the periods detailed above 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-makers in the Group. Significant operating segments are Associated British Engineering Plc, British Polar Engines Limited 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.

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 did not carry out trading activity in the period.

Associated British Engineering Plc is the group holding company.

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (continued)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

2 SEGMENTAL ANALYSIS (continued)

	Associated British Engineering PLC £'000	British Polar Engines Ltd £'000	Akoris Trading Ltd £'000	Consolidated
Six months to 30 September 2018				
External sales	-	498	-	498
Segment result (PBIT)	<u>(68)</u>	<u>(270)</u>	<u>1</u>	<u>(337)</u>
Net finance expense				(5)
Taxation				-
Loss after tax				<u><u>(342)</u></u>
Other information				
Capital additions	-	2	-	2
Balance sheet				
Segment assets	<u>101</u>	<u>2,934</u>	<u>16</u>	<u>3,051</u>
Six months to 30 September 2017				
External sales	-	666	-	666
Segment result (PBIT)	<u>(87)</u>	<u>(285)</u>	<u>(1)</u>	<u>(373)</u>
Net finance expenses				(4)
Taxation				-
Profit after tax				<u><u>(377)</u></u>
Other information				
Capital additions	-	-	-	-
Balance sheet				
Segment assets	<u>137</u>	<u>2,393</u>	<u>30</u>	<u>2,560</u>

There were two customers who contributed more than 10% of the total group revenue for the six months ending 30 September 2018 (2017: two customers).

ASSOCIATED BRITISH ENGINEERING PLC
NOTES TO THE INTERIM REPORT (*continued*)
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3. PRINCIPAL RISKS AND UNCERTAINTIES

In light of the industry in which the trading subsidiaries operate, there are a number of risks and uncertainties which could have an impact on the performance of the Group for the remaining six months of the year.

The Directors have considered the principal risks and uncertainties relating to its future business which might affect the financial performance of the Group in 2018. The Group continues to be exposed to the principal risks and uncertainties as described on page 8 of the 2018 Annual Report and Accounts. A copy of the 2018 Annual Report and Accounts is available on the Company's website.

The principal risks currently facing the Group are set out below but are not arranged in order of relative impact or probability:

- Dependency on key markets;
- Timing and renewal of key contracts;
- Foreign exchange risk;
- Recruitment and retention of key employees;
- Identification of acquisitions that fit the Group's strategy;
- Compliance with laws and regulations

The Directors meet on a regular basis to discuss these risks and uncertainties and appropriate actions are taken to mitigate these risks and to develop suitable strategies to protect the long term performance of the Group.

