

Company Registration No. 00110663 (England and Wales)

**ASSOCIATED BRITISH ENGINEERING PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**31 March 2018**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2018**

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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 31 March 2018. Pages 1 to 10 and 53 to 62, including the Financial Highlights, Chairmen'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

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|  | <b>2018</b>    | 2017    |
|--|----------------|---------|
|  | <b>£'000</b>   | £'000   |
| REVENUE  | <b>1,603</b>   | 1,043   |
| OPERATING LOSS                                     | <b>(525)</b>   | (906)   |
| LOSS BEFORE TAXATION                               | <b>(582)</b>   | (962)   |
| NET ASSETS   | <b>976</b>     | 1,020   |
| BASIC LOSS PER 2.5p ORDINARY SHARE                 | <b>(20.6p)</b> | (46.8p) |
| EQUITY SHAREHOLDERS' FUNDS PER 2.5p ORDINARY SHARE | <b>£0.48</b>   | £0.50   |

## **ASSOCIATED BRITISH ENGINEERING PLC**

### **CHAIRMEN'S STATEMENT FOR THE PERIOD ENDED 31 MARCH 2018**

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The changes we spoke about in 2017 have continued and as yet our business servicing the oil sector in the North Sea has not recovered and returned to previous levels. The loss for the period has decreased from £960,000 to £422,000 and some of this loss has been caused by the continued development of the new series of diesel engines that we have now started to sell. The disputes we spoke of in our last statement remain unresolved and continue to take up management time.

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 last year and was absent for many critical months finally resigning in January this year. Rupert Pearce Gould, the Chairman of BPE, 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 commentated 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 £1,380,000 to £1,354,000 as at 31 March 2018. 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. Following the end of the year the directors of BPE agreed with the trustees of the pension fund that in order to conserve cash within the business they would agree to the suspension of the deficit repayment agreement for the year ending March 2019. This agreement also includes the company compensating the pension fund in respect to its contribution to the pension protection Fund. This agreement will be reviewed at the end of the accounting period March 2019. The directors of BPE and the trustees of the pension fund are also actively looking at ways to reduce the running costs of the pension fund that is now disproportionate to the number of members the fund has.

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: 30 July 2018

## ASSOCIATED BRITISH ENGINEERING PLC

### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2018

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The directors submit their report and audited accounts for the period ended 31 March 2018.

#### RESULTS AND DIVIDENDS

The Group's loss after tax amounted to £422,000 (2017: £960,000). The directors are unable to recommend a dividend on the ordinary shares for the period (2017: £nil per ordinary share).

#### DIRECTORS

The names of the directors who served during the period from 4 April 2017 to 31 March 2018 are:

|                   |          |
|-------------------|----------|
| Mr C Weinberg     | Director |
| Mr R Pearce 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 30 July 2018 and at 31 March 2018 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% of issued ordinary shares.                                |
| Fiske Nominees Limited (FISKPOOL)               | FISKPOOL owns 14.33% of issued ordinary shares.  |
| R A Pearce Gould                                | Mr Pearce Gould's direct holding is 7.61% of issued ordinary shares.                       |
| C Weinberg                                      | Mr Weinberg's direct holding is 7.88% of issued ordinary shares.                           |
| Rulegale Nominees Limited (JAMSCLT)             | JAMSCLT owns 5.28% of which Mr R A Pearce Gould's has all of the issued ordinary shares.   |
| Hargreaves Lansdown (Nominees) Limited (HLNOM)  | HLNOM owns 4.98% of issued ordinary shares.  |
| Lynchwood Nominees Limited (DMOD)               | DMOD owns 4.20% of issued ordinary shares.   |
| Barclayshare Nominees Ltd                       | Barclayshare Nominees Ltd owns 3.67% of issued shares.                                     |
| Vidacos Nominees Limited (BBUCCC)               | BBUCCC owns 3.40% of issued ordinary shares.   |
| HSBC Global Custody Nominee UK Limited (941346) | Made up of multiple interested parties of which 3.06% of issued ordinary shares are owned. |

## ASSOCIATED BRITISH ENGINEERING PLC

### DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 31 MARCH 2018

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#### 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 dependents in the share capital of the Company according to the register kept by the Company as at 3 April 2017 and 31 March 2018 were as follows:

|                   | Ordinary shares of |         |
|-------------------|--------------------|---------|
|                   | 2.5p               | 2.5p    |
|                   | 2018               | 2017    |
|                   | No.                | No.     |
| Mr C Weinberg     | 161,416            | 161,416 |
| Mr R Pearce Gould | 264,049            | 261,549 |

No share options or derivatives were held by any of the directors at 31 March 2018 or 3 April 2017.

Since 31 March 2018 and up to and including 28 July 2018 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<br>issue | Nominal<br>Value<br>£ | Total<br>Value<br>£ | % of<br>Capital<br>£ |
|-----------------|-----------------|-----------------------|---------------------|----------------------|
| 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.

#### EMPLOYEES

The Group recognises the importance of employees to the success of the business and ensures that they are fully informed of events that directly affect them and their working environment.

## **ASSOCIATED BRITISH ENGINEERING PLC**

### **DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 31 MARCH 2018**

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#### **GLOBAL GHG EMISSIONS DATA FOR THE PERIOD ENDED 31 March 2018**

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: 603 tonnes (2017: 159 tonnes) of CO<sub>2</sub> emissions.

Transport: 7 tonnes of CO<sub>2</sub> emissions (2017: 22 tonnes).

#### **The Group's chosen intensity measurement**

Emissions reported above (181 tonnes of CO<sub>2</sub> e (2017: 181 tonnes)) normalised to per £'000 of turnover £1,603 (2017: £1,144): 0.11 Tonnes of CO<sub>2</sub> e per £'000 turnover (2017: 0.16).

#### **Methodology**

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2016. 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 2017.

#### **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 Chairmen's statement on page 2. The financial position of the Group, at 31 March 2018 showed that the Group recorded a loss of £422,000 and had cash and cash equivalents of £344,000.

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 31 MARCH 2018**

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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 2018 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: 30 July 2018



## **BUSINESS REVIEW**

A review of the business and of events during the period is contained in the Chairmen'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, supplied a surplus generator set in 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 periods 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 2015 has continued into 2018 although the group saw an increase in its turnover compared to 2017. The Board of both BPE and its parent company are actively monitoring the level of sales in this difficult economic environment. We are also anticipating fresh trading opportunities which should improve turnover in 2019.

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 periods the Group has built up a reputation for integrity and is aware that this can be easily damaged with the consequential cost to 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 periods 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.

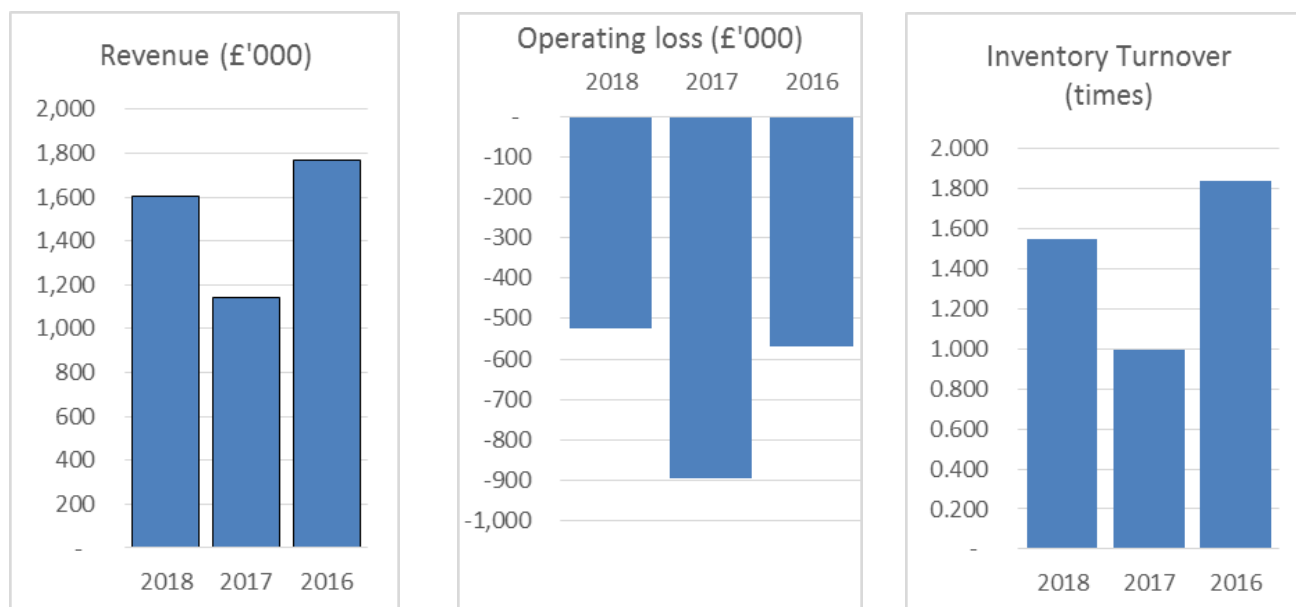
Further consideration of risks and uncertainties in respect of financial instruments that face the Group and Company is contained in note 18 to the Group financial statements.

### United Kingdom's exit from the European Union ("Brexit")

The specific impact of Brexit on our principal risk has been considered by the Board. Whilst we remain vigilant, we do not believe that Brexit will have a significant impact on the underlying trading performance of the Group going forward.

### 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 31 March 2018, are disclosed in the corporate governance report on page 54.

## ASSOCIATED BRITISH ENGINEERING PLC

### STRATEGIC REPORT (continued) FOR THE PERIOD ENDED 31 MARCH 2018

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#### 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 periods it is our intention to introduce new members of staff to ensure continuity and the passing on of knowledge for the future.

|                   | <b>Total no. of officers/employees</b> | <b>Number of males %</b> | <b>Number of females %</b> |
|-------------------|--|--------------------------|----------------------------|
| Senior Management | 3                                      | 100                      | 0                          |
| Whole Workforce   | 22                                     | 86                       | 14                         |

By order of the Board

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

**Date: 30 July 2018**

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

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## 1. Our opinion on the financial statements

We have audited the consolidated financial statements of Associated British Engineering plc (the "parent company") and its subsidiary companies (the "Group") for the period ended 31 March 2018 which comprise of the consolidated income statement and consolidated statement of comprehensive income, group statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company balance sheet, the company statement of changes in equity, company statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as applied in accordance with the provisions of the Companies Act 2006.

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 31 March 2018 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty in relation to going concern

We draw attention to page 17 in the financial statements concerning the group's and the parent company's ability to continue as a 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 31 March 2018, the Group recorded a loss after tax of £422,000 and had a cash and cash equivalents of £344,000. 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.

### Conclusions relating to principal risks, going concern and viability statement

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. We draw your attention to the material uncertainty in relation to going concern section above.

We have nothing else material to add or draw attention to in relation to:

- the Directors' confirmation on page 8 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 8 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;

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

- 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.

**2. Key audit matters: Our assessment of risks of material misstatement**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters. In arriving at our audit opinion above, the key audit matters were as follows:

|   | <b>The risk</b>  | <b>Our response included the following audit procedures</b>   |
|---|--|---|
| <b>Carrying value of inventory</b>                          | <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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 judgmental areas that our audit is concentrated on.</li> </ul> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Considering the adequacy of the Group’s disclosures (see note 11) in relation to inventory.</li> </ul> |
| <b>Measurement of the defined benefit pension liability</b> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Management utilise the services of third party actuarial advisers to determine their key assumptions.</li> </ul>   | <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>  |

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

**2. Key audit matters: Our assessment of risks of material misstatement (continued)**

|   |  |   |
|---|--|---|
| <p><b>Revenue recognition and recoverability of trade receivables</b></p> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• The recoverability of trade receivables is dependent on the credit worthiness of customers and their ability to settle the amounts due.</li> </ul>  | <ul style="list-style-type: none"> <li>• 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.</li> <li>• Assessing the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.</li> <li>• Considering the adequacy of the Group's disclosures (see note 12) in relation to provisions for risks concerning recoverability of trade receivables.</li> </ul>                  |
| <p><b>Going concern</b></p>   | <ul style="list-style-type: none"> <li>• At 31 March 2018 the Group had cash and cash equivalents of £344,000 (2017: £535,000) and incurred an operating loss of £525,000 (2017: £906,000).</li> <li>• The Strategic Report on page 8 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.</li> <li>• Judgement is also required in assessing whether the disclosures provided in the financial statements adequately describe the risks and underlying assumptions.</li> <li>• This is a risk due to the Group's continuing operating losses and reducing cash resources.</li> </ul> | <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 critically 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> |

**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 £32,000, 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 £1,600 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.

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

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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 99% of the Group's revenue and 75% 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.

### **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.

#### *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.

#### *Reporting on other information*

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.



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

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated)

### **Responsibilities of Directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Other matters which we are required to address**

Following recommendations of the audit committee, we were appointed by the audit committee to audit the financial statements for the year ending 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the periods ending 31 March 2016, 3 April 2017 and 31 March 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

### **Use of our report**

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

30 July 2018

## **ASSOCIATED BRITISH ENGINEERING PLC**

### **GROUP AND PARENT COMPANY ACCOUNTING POLICIES FOR THE PERIOD ENDED 31 MARCH 2018**

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#### **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 and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The Company's accounting reference date is 31 March. These financial statements are for the period 4 April 2017 to 31 March 2018. The comparative figures are for the period 1 April 2016 to 3 April 2017.

#### **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.

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.

## ASSOCIATED BRITISH ENGINEERING PLC

### GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2018

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#### 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 2. 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 fundraising 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 31 March.

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.

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

| <b><u>Entity</u></b>               | <b><u>Summary Description</u></b> |
|------------------------------------|-----------------------------------|
| Associated British Engineering Plc | Ultimate Holding Company          |
| British Polar Engines Ltd          | Trading Company                   |
| Akoris Trading Ltd                 | Trading Company                   |

## **ASSOCIATED BRITISH ENGINEERING PLC**

### **GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2018**

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#### **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 loss of £54,000 (2017: £495,000 gain) was recognised in the Group accounts.

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

#### **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 periods. 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.

## ASSOCIATED BRITISH ENGINEERING PLC

### GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2018

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The inventory provision at the period end amounted to £2,621,000 (2017: £2,496,000). The gross value of inventories at the period end is £3,659,000 (2017: £3,828,000).

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 recoverability 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 31 March 2018 the Group has provided £609,000 (2017: £500,000) 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.

#### FOREIGN CURRENCIES

The functional and presentational currency of the parent company and its subsidiaries is UK Pounds 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.

#### PROPERTY, PLANT AND EQUIPMENT

Plant and equipment are stated at cost less depreciation and any impairment in value. Freehold property is held under a revaluation model as outlined below. 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.

## **ASSOCIATED BRITISH ENGINEERING PLC**

### **GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2018**

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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.

In the prior year, Freehold property was held under a cost model. Following a revaluation in the year, properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value. This changed from a cost model to a revaluation model is a change in accounting policy.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in the Income Statement or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in the Income Statement.

#### **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.

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.

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 Statement of Financial Position 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 18 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 £609,000 (2017: £500,000). 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.

## **ASSOCIATED BRITISH ENGINEERING PLC**

### **GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2018**

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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 periods.

#### **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**

**CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 31 MARCH 2018**

|   | Note     | 2018<br>£'000         | 2017<br>£'000  |
|---|----------|-----------------------|----------------|
| <b>REVENUE</b>  | <b>1</b> | <b>1,603</b>          | 1,043          |
| Operating costs   | <b>2</b> | <u>(2,128)</u>        | <u>(1,949)</u> |
| <b>OPERATING LOSS</b>   | <b>3</b> | <b>(525)</b>          | (906)          |
| Finance expense   | <b>6</b> | <b>(57)</b>           | (75)           |
| Finance income  | <b>6</b> | <u>-</u>              | <u>19</u>      |
| <b>LOSS BEFORE TAXATION</b>   |          | <b>(582)</b>          | (962)          |
| Taxation  | <b>7</b> | <u>160</u>            | <u>2</u>       |
| <b>LOSS FOR THE PERIOD</b>  |          | <u><b>(422)</b></u>   | <u>(960)</u>   |
| <b>LOSS PER SHARE ON LOSS FOR THE PERIOD<br/>ATTRIBUTABLE TO EQUITY HOLDERS OF THE<br/>PARENT COMPANY</b> |          |                       |                |
| <b>BASIC AND DILUTED</b>  | <b>8</b> | <u><b>(20.6p)</b></u> | <u>(46.8p)</u> |
| Loss for the period attributable to:  |          |                       |                |
| Owners of the Company   |          | <b>(422)</b>          | (960)          |
| Non-controlling interests   |          | <u>-</u>              | <u>-</u>       |
|   |          | <u><b>(422)</b></u>   | <u>(960)</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**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2018**

|   | Note | 2018<br>£'000      | 2017<br>£'000       |
|---|------|--------------------|---------------------|
| Loss for the period                                     |      | <u>(422)</u>       | <u>(960)</u>        |
| <b>Other comprehensive income</b>                       |      |                    |                     |
| Re-measurement of the net defined benefit liability (*) | 16   | (54)               | 495                 |
| Loss on available for sale financial asset (**)         |      | (168)              | -                   |
| Surplus on revaluation of property                      |      | <u>600</u>         | <u>-</u>            |
| Other comprehensive loss for the period                 |      | <u>378</u>         | <u>(465)</u>        |
| <b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b> |      | <u><u>(44)</u></u> | <u><u>(465)</u></u> |
| Total comprehensive (loss)/income attributable to:      |      |                    |                     |
| Owners of the Company                                   |      | (44)               | (465)               |
| Non-controlling interests                               |      | -                  | -                   |
|   |      | <u><u>(44)</u></u> | <u><u>(465)</u></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 31 MARCH 2018**

|  | Note | 2018<br>£'000       | 2017<br>£'000       |
|--|------|---------------------|---------------------|
| <b>ASSETS</b>  |      |                     |                     |
| <b>Non-current assets</b>  |      |                     |                     |
| Property, plant and equipment  | 9    | 833                 | 303                 |
| Available for sale financial assets                                    | 13   | 264                 | 433                 |
|  |      | <u>1,097</u>        | 736                 |
| <b>Current assets</b>  |      |                     |                     |
| Inventories  | 11   | 1,037               | 1,332               |
| Trade and other receivables  | 12   | 518                 | 514                 |
| Cash and cash equivalents  |      | 344                 | 535                 |
|  |      | <u>1,899</u>        | <u>2,381</u>        |
| <b>Total assets</b>  |      | <u><u>2,996</u></u> | <u><u>3,117</u></u> |
| <b>EQUITY AND LIABILITIES</b>  |      |                     |                     |
| Called up share capital  | 14   | 51                  | 51                  |
| Deferred shares  | 14   | 2,594               | 2,594               |
| Share premium account  |      | 5,370               | 5,370               |
| Other reserves   |      | 11                  | 11                  |
| Available for Sale reserve   |      | (64)                | 104                 |
| Revaluation reserve  |      | 600                 | -                   |
| Retained earnings  |      | <u>(7,586)</u>      | <u>(7,110)</u>      |
| <b>Equity attributable to the Parent Company's Equity shareholders</b> |      | <u>976</u>          | <u>1,020</u>        |
| <b>Total equity</b>  |      | <u>976</u>          | <u>1,020</u>        |
| <b>LIABILITIES</b>   |      |                     |                     |
| <b>Non-current liabilities</b>   |      |                     |                     |
| Retirement benefit obligations   | 16b  | 1,354               | 1,380               |
| Obligation under finance leases  | 17   | 13                  | 25                  |
|  |      | <u>1,367</u>        | <u>1,405</u>        |
| <b>Current liabilities</b>   |      |                     |                     |
| Trade and other payables   | 17   | 631                 | 633                 |
| Obligations under finance leases                                       | 17   | 22                  | 59                  |
|  |      | <u>653</u>          | <u>692</u>          |
| <b>Total liabilities</b>   |      | <u>2,020</u>        | <u>2,097</u>        |
| <b>Total equity and liabilities</b>                                    |      | <u><u>2,996</u></u> | <u><u>3,117</u></u> |

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2018 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**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2018**

|   | Share capital | Share premium | Deferred shares | Other reserve | Available for Sale reserve | Revaluation reserve | Retained earnings | Attributable to owners of the parent | Total |
|---|---------------|---------------|-----------------|---------------|----------------------------|---------------------|-------------------|--------------------------------------|-------|
|   | £'000         | £'000         | £'000           | £'000         | £'000                      | £'000               | £'000             | £'000                                | £'000 |
| <b>Balance at 1 April 2016</b>                              | 51            | 5,370         | 2,594           | 11            | 104                        | -                   | (6,645)           | 1,485                                | 1,485 |
| Loss for the period   | -             | -             | -               | -             | -                          | -                   | (960)             | (960)                                | (960) |
| <b>Other comprehensive income</b>                           |               |               |                 |               |                            |                     |                   |                                      |       |
| Actuarial gain in defined benefit plan (*)                  | -             | -             | -               | -             | -                          | -                   | 495               | 495                                  | 495   |
| Unrealised gain on Available for Sale financial assets (**) | -             | -             | -               | -             | -                          | -                   | -                 | -                                    | -     |
| <b>Total comprehensive income for the period</b>            | -             | -             | -               | -             | -                          | -                   | (465)             | (465)                                | (465) |
| <b>Balance at 3 April 2017</b>                              | 51            | 5,370         | 2,594           | 11            | 104                        | -                   | (7,110)           | 1,020                                | 1,020 |
| Loss for the period   | -             | -             | -               | -             | -                          | -                   | (422)             | (422)                                | (422) |
| <b>Other comprehensive income</b>                           |               |               |                 |               |                            |                     |                   |                                      |       |
| Actuarial loss in defined benefit plan (*)                  | -             | -             | -               | -             | -                          | -                   | (54)              | (54)                                 | (54)  |
| Unrealised loss on Available for Sale financial assets (**) | -             | -             | -               | -             | (168)                      | -                   | -                 | (168)                                | (168) |
| <b>Revaluation</b>  |               |               |                 |               |                            |                     |                   |                                      |       |
| Surplus on revaluation of freehold property                 | -             | -             | -               | -             | -                          | 600                 | -                 | 600                                  | 600   |
| <b>Total comprehensive income for the period</b>            | -             | -             | -               | -             | (168)                      | -                   | (476)             | (644)                                | (644) |
| <b>Balance at 31 March 2018</b>                             | 51            | 5,370         | 2,594           | 11            | (64)                       | 600                 | (7,586)           | 976                                  | 976   |

(\*) = 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**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 MARCH 2018**

|   | <b>2018</b>  | 2017    |
|---|--------------|---------|
|   | <b>£'000</b> | £'000   |
| <b>Cash flows from operating activities</b>             |              |         |
| Cash used in operations                                 | <b>(256)</b> | (896)   |
| Interest received                                       | -            | 19      |
| Interest paid   | <b>(57)</b>  | (75)    |
| Taxation  | <b>160</b>   |         |
|   | <hr/>        | <hr/>   |
| <b>Net cash used in operating activities</b>            | <b>(153)</b> | (952)   |
| <b>Cash flows from investing activities</b>             |              |         |
| Proceeds from sale of equipment                         | <b>2</b>     | -       |
| Purchase of equipment                                   | <b>(14)</b>  | (26)    |
|   | <hr/>        | <hr/>   |
| <b>Net cash used in investing activities</b>            | <b>(12)</b>  | (26)    |
| <b>Cash flows from financing activities</b>             |              |         |
| New finance lease                                       | <b>11</b>    | -       |
| Repayment of finance leases                             | <b>(37)</b>  | (64)    |
|   | <hr/>        | <hr/>   |
| <b>Net cash used in financing activities</b>            | <b>(26)</b>  | (64)    |
| <br>  |              |         |
| Net decrease in cash and cash equivalents               | <b>(191)</b> | (1,042) |
| <b>Cash and cash equivalents at beginning of period</b> | <b>535</b>   | 1,577   |
|   | <hr/>        | <hr/>   |
| Cash and cash equivalents at end of period              | <b>344</b>   | 535     |
|   | <hr/>        | <hr/>   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>              |              |         |
|   | <b>2018</b>  | 2017    |
|   | <b>£'000</b> | £'000   |
| Loss before taxation                                    | <b>(582)</b> | (962)   |
| <b>Adjustments for:</b>                                 |              |         |
| Depreciation  | <b>86</b>    | 58      |
| Interest income   | -            | (19)    |
| Finance expense   | <b>57</b>    | 75      |
| Foreign exchange difference                             | <b>2</b>     | -       |
| Pension scheme interest expense                         | <b>36</b>    | 67      |
| Cash paid in excess of current service cost             | <b>(116)</b> | (123)   |
| Profit on disposal of equipment                         | <b>(2)</b>   | -       |
| <b>Changes in working capital:</b>                      |              |         |
| Decrease/(increase) in inventories                      | <b>295</b>   | (374)   |
| (Increase)/decrease in trade and other receivables      | <b>(5)</b>   | 280     |
| (Decrease)/increase in payables                         | <b>(27)</b>  | 102     |
|   | <hr/>        | <hr/>   |
|   | <b>(256)</b> | (896)   |
|   | <hr/>        | <hr/>   |
| Cash used in operations                                 | <b>(256)</b> | (896)   |
|   | <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 31 MARCH 2018

#### 1. SEGMENTAL REPORTING

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

|                          | <b>2018</b><br><b>£'000</b> | 2017<br>£'000 |
|--------------------------|-----------------------------|---------------|
| United Kingdom           | <b>936</b>                  | 425           |
| Europe                   | <b>138</b>                  | 186           |
| Far East and Australasia | <b>64</b>                   | 166           |
| Africa                   | <b>176</b>                  | 82            |
| North and South America  | <b>201</b>                  | 168           |
| Middle East              | <b>88</b>                   | 16            |
|                          | <b><u>1,603</u></b>         | <u>1,043</u>  |

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

|  | <b>2018</b><br><b>£'000</b> | 2017<br>£'000 |
|--|-----------------------------|---------------|
| Revenue from the sale of goods         | <b>937</b>                  | 757           |
| Revenue from the rendering of services | <b>666</b>                  | 286           |
|  | <b><u>1,603</u></b>         | <u>1,043</u>  |

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

In the periods ended 31 March 2018 and 3 April 2017, 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, 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 supplied a surplus generator set 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 31 MARCH 2018

1. SEGMENTAL REPORTING (continued)

| Period to 31 March 2018     | Associated<br>British<br>Engineering<br>Plc<br>£'000 | British Polar<br>Engines<br>Limited<br>£'000 | Akoris<br>Trading<br>Limited<br>£'000 | Consolidated<br>£'000 |
|-----------------------------|--|--|---------------------------------------|-----------------------|
| External sales              | -  | 1,583  | 20                                    | 1,603                 |
| Segment result (LBIT)       | (159)  | (359)  | (7)                                   | (525)                 |
| Net finance expenses        |  |  |                                       | (57)                  |
| Taxation                    |  |  |                                       | 160                   |
| <b>Loss after tax</b>       |  |  |                                       | <b>(422)</b>          |
| <b>Other information</b>    |  |  |                                       |                       |
| Capital additions           | -  | 16   | -                                     | 16                    |
| <b>Balance sheet</b>        |  |  |                                       |                       |
| Segment assets              | 121  | 2,859  | 16                                    | 2,996                 |
| Period to 3 April 2017      | Associated<br>British<br>Engineering<br>Plc<br>£'000 | British Polar<br>Engines<br>Limited<br>£'000 | Akoris<br>Trading<br>Limited<br>£'000 | Consolidated<br>£'000 |
| External sales              | -  | 1,043  | -                                     | 1,043                 |
| Segment result (LBIT/ PBIT) | (148)  | (751)  | (7)                                   | (906)                 |
| Net finance expenses        |  |  |                                       | (56)                  |
| Taxation                    |  |  |                                       | 2                     |
| <b>Loss after tax</b>       |  |  |                                       | <b>(960)</b>          |
| <b>Other information</b>    |  |  |                                       |                       |
| Capital additions           | -  | 66   | -                                     | 66                    |
| <b>Balance sheet</b>        |  |  |                                       |                       |
| Segment assets              | 199  | 2,887  | 31                                    | 3,117                 |

Included in the total Group revenue was £512,000 (2017: £158,000) of sales which arose from two customers who contributed to 10% or more of the total Group revenue for the period ended 31 March 2018 (2017: one customer). 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 31 MARCH 2018**

|  |              |              |
|--|--------------|--------------|
| <b>2. OPERATING COSTS</b>                    | <b>2018</b>  | 2017         |
|  | <b>£'000</b> | £'000        |
| Raw materials used                           | 732          | 858          |
| Staff costs (note 4)                         | 667          | 944          |
| Depreciation of property plant and equipment | 86           | 58           |
| Other expenses                               | 643          | 89           |
|  | <b>2,128</b> | <b>1,949</b> |

|   |              |       |
|---|--------------|-------|
| <b>3. OPERATING LOSS</b>  | <b>2018</b>  | 2017  |
|   | <b>£'000</b> | £'000 |
| <b>Operating loss is stated after charging/(crediting)</b>                            |              |       |
| Depreciation on owned assets  | 54           | 23    |
| Depreciation on assets held under finance leases                                      | 32           | 35    |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts: |              |       |
| PLC audit costs   | 22           | 21    |
| The audit of the Company's subsidiaries pursuant to legislation                       | 21           | 20    |
| Operating lease rental on plant and machinery   | 42           | 42    |
| Profit on disposal of property, plant & equipment                                     | (2)          | -     |

|                                     |              |            |
|-------------------------------------|--------------|------------|
| <b>4. STAFF COSTS AND EMPLOYEES</b> | <b>2018</b>  | 2017       |
|                                     | <b>£'000</b> | £'000      |
| Wages and salaries                  | 499          | 753        |
| Social security costs               | 52           | 68         |
| Other pension costs                 | 116          | 123        |
|                                     | <b>667</b>   | <b>944</b> |

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

|                    |               |           |
|--------------------|---------------|-----------|
|                    | <b>2018</b>   | 2017      |
|                    | <b>Number</b> | Number    |
| <b>By activity</b> |               |           |
| Production         | 9             | 11        |
| Administration     | 13            | 16        |
|                    | <b>22</b>     | <b>27</b> |

**5. DIRECTORS' REMUNERATION**

Directors received emoluments of £57,000 (2017: £46,000). Further details can be found on page 60.

|                                    |              |       |
|------------------------------------|--------------|-------|
| <b>KEY MANAGEMENT COMPENSATION</b> | <b>2018</b>  | 2017  |
|                                    | <b>£'000</b> | £'000 |
| Remuneration of Group directors    | 57           | 46    |

The Group made no pension contributions in respect of Group directors during the period ended 31 March 2018 or 3 April 2017.



**ASSOCIATED BRITISH ENGINEERING PLC**  
**NOTES TO THE ACCOUNTS - GROUP (continued)**  
**FOR THE PERIOD ENDED 31 MARCH 2018**

| <b>6. NET FINANCE EXPENSE</b>                       | <b>2018</b>  | 2017        |
|---|--------------|-------------|
|   | <b>£'000</b> | £'000       |
| Interest on obligations under finance leases        | <u>21</u>    | <u>8</u>    |
| Interest expenses for borrowings at amortised cost  | <b>21</b>    | 8           |
| Net interest cost on defined benefit pension scheme | <u>36</u>    | <u>67</u>   |
|   | <u>57</u>    | <u>75</u>   |
| Interest receivable on cash and cash equivalents    | <u>-</u>     | <u>(19)</u> |
|   | <u>57</u>    | <u>(56)</u> |

| <b>7. TAXATION</b>   | <b>2018</b>       | 2017     |
|--|-------------------|----------|
|  | <b>£'000</b>      | £'000    |
| The tax charge is set out below:                           |                   |          |
| Current tax:   |                   |          |
| United Kingdom corporation tax at 19% (2017: 20%)          | -                 | -        |
| Research & Development tax credit                          | <b>160</b>        | -        |
| Deferred tax:  |                   |          |
| In respect of current period                               | <u>-</u>          | <u>2</u> |
| Total current tax and tax on profit on ordinary activities | <u><b>160</b></u> | <u>2</u> |

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained as follows:

|   | <b>2018</b>       | 2017         |
|---|-------------------|--------------|
|   | <b>£'000</b>      | £'000        |
| Loss on ordinary activities before tax  | <u>(422)</u>      | <u>(962)</u> |
| Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2017: 20%) | <b>(80)</b>       | (192)        |
| Effects of:   |                   |              |
| Fixed asset differences   |                   | 11           |
| Expenses not deductible for tax purposes  | <b>9</b>          | 10           |
| Amounts (charged)/credited directly to equity or otherwise transferred                                  | -                 | 98           |
| Income not taxable  | <b>2</b>          | (5)          |
| Depreciation for the period in excess of capital allowances   | <b>9</b>          | (5)          |
| Adjustment to recognised deferred tax   | -                 | 100          |
| Deferred tax not recognised   | -                 | (15)         |
| Surrender of group relief   | <b>(3)</b>        | -            |
| Losses carried forward  | <b>63</b>         | -            |
| Research & Development credit   | <u>160</u>        | <u>-</u>     |
| Taxation credit in the consolidated income statement  | <u><b>160</b></u> | <u>2</u>     |

The Group has trading losses of approximately £3.6 million (2017: £3.1 million) and capital losses of £8.5 million (2017: £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 £620,000 (2017: £528,000) 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 31 MARCH 2018**

**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<br>£'000 | 2018<br>Weighted<br>Average<br>number of<br>shares | Per shares<br>amount<br>pence | Loss<br>£'000 | 2017<br>Weighted<br>Average<br>number of<br>shares | Per shares<br>amount<br>pence |
|-------------------------------------|---------------|--|-------------------------------|---------------|--|-------------------------------|
| Basic and diluted<br>loss per share | <b>(422)</b>  | <b>2,048,990</b>                                   | <b>(20.6p)</b>                | (960)         | 2,048,990  | (46.8p)                       |

**9. PROPERTY, PLANT AND EQUIPMENT**

|                                 | Freehold<br>land and<br>buildings<br>£'000 | Plant and<br>machinery<br>£'000 | Total<br>£'000 |
|---------------------------------|--|---------------------------------|----------------|
| <b>COST</b>                     |  |                                 |                |
| At 1 April 2016                 | 689  | 1,415                           | 2,104          |
| Additions                       | -  | 66                              | 66             |
| Disposals                       | -  | (42)                            | (42)           |
| At 3 April 2017                 | 689  | 1,439                           | 2,128          |
| At 4 April 2017                 | 689  | 1,439                           | 2,128          |
| Additions                       | -  | 16                              | 16             |
| Disposals                       | -  | (7)                             | (7)            |
| <b>At 31 March 2018</b>         | <b>689</b>                                 | <b>1,448</b>                    | <b>2,137</b>   |
| <b>ACCUMULATED DEPRECIATION</b> |  |                                 |                |
| 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          |
| At 4 April 2017 (as restated)   | 689  | 1,136                           | 1,825          |
| Charge for period               | 21   | 65                              | 86             |
| Eliminated on disposals         | -  | (7)                             | (7)            |
| Eliminated on revaluation       | (600)                                      | -                               | (600)          |
| <b>At 31 March 2018</b>         | <b>110</b>                                 | <b>1,193</b>                    | <b>1,303</b>   |
| <b>CARRYING AMOUNTS</b>         |  |                                 |                |
| <b>At 31 March 2018</b>         | <b>579</b>                                 | <b>254</b>                      | <b>833</b>     |
| At 3 April 2017 (As restated)   | -  | 303                             | 303            |
| At 31 March 2016                | -  | 296                             | 296            |

At 31 March 2018 assets held under finance leases included in plant and machinery had a carrying value of £142,636 (2017: £199,000).

## ASSOCIATED BRITISH ENGINEERING PLC

### NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 31 MARCH 2018

#### 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

In March 2017 the freehold property was valued at £600,000 by GVA Grimley Limited, an external valuer. As a result of this, the freehold property was revalued to £600,000 at 1 April 2017. The directors, therefore, consider a value of £578,750 (2017: £Nil) after depreciation to be a prudent estimate of the value of the property at the balance sheet date.

#### 10. CAPITAL COMMITMENTS

At 31 March 2018 the Group had capital commitments of £Nil (2017: £Nil).

#### 11. INVENTORIES

|                  | <b>2018</b>         | 2017         |
|------------------|---------------------|--------------|
|                  | <b>£'000</b>        | £'000        |
| Raw materials    | <b>100</b>          | 119          |
| Work in progress | <b>34</b>           | 61           |
| Finished goods   | <b>903</b>          | 1,152        |
|                  | <b><u>1,037</u></b> | <u>1,332</u> |

The closing inventory balance of £1,037,000 (2017: £1,332,000) is stated net of provisions of £2,621,000 (2017: £2,496,000). There was an increase in provision of £125,000 (2017: £85,000 increase) in relation to slow moving stock.

#### 12. TRADE AND OTHER RECEIVABLES

|                                | <b>2018</b>       | 2017       |
|--------------------------------|-------------------|------------|
|                                | <b>£'000</b>      | £'000      |
| Trade receivables              | <b>836</b>        | 788        |
| Allowance for doubtful debts   | <b>(609)</b>      | (500)      |
|                                | <b><u>227</u></b> | <u>288</u> |
| Prepayments and accrued income | <b>291</b>        | 226        |
|                                | <b><u>518</u></b> | <u>514</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

|               | <b>2018</b>       | 2017       |
|---------------|-------------------|------------|
|               | <b>£'000</b>      | £'000      |
| 31 – 60 days  | <b>97</b>         | 18         |
| 61 – 90 days  | <b>2</b>          | 9          |
| 91 – 120 days | <b>38</b>         | 227        |
|               | <b><u>137</u></b> | <u>254</u> |

**ASSOCIATED BRITISH ENGINEERING PLC**

**NOTES TO THE ACCOUNTS – GROUP (continued)  
FOR THE PERIOD ENDED 31 MARCH 2018**

**12. TRADE AND OTHER RECEIVABLES (Continued)**

Movement in the allowance for doubtful debts:

|  | <b>2018</b><br><b>£'000</b> | 2017<br>£'000 |
|--|-----------------------------|---------------|
| Balance at the beginning of the period | <b>500</b>                  | 396           |
| Increase in provision                  | <b>109</b>                  | 104           |
| Balance at the end of the period       | <b>609</b>                  | 500           |

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.

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**

|                   | <b>2018</b><br><b>£'000</b> | 2017<br>£'000 |
|-------------------|-----------------------------|---------------|
| Listed Securities | <b>264</b>                  | 433           |

**Available For Sale  
financial assets  
£'000**

|                     |            |
|---------------------|------------|
| Opening balance     | 433        |
| Additions           | -          |
| Net fair value loss | (168)      |
| Disposals           | -          |
| Closing balance     | <b>264</b> |

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**

|  | <b>2018</b><br><b>£'000</b> | 2017<br>£'000 |
|--|-----------------------------|---------------|
| <b>Nominal value:</b>                    |                             |               |
| Allotted and fully paid:                 |                             |               |
| 2,048,990 ordinary shares of £0.025 each | 51                          | 51            |
| 1,313,427 deferred shares of £1.975 each | 2,594                       | 2,594         |
|  | <b>2,645</b>                | 2,645         |
| <b>Carrying value:</b>                   |                             |               |
| Equity shares:                           |                             |               |
| 2,048,990 ordinary shares of £0.025 each | <b>51</b>                   | 51            |

14. CALLED UP SHARE CAPITAL (Continued)

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

|  | Ordinary<br>Shares<br>No. | Ordinary<br>Shares<br>£'000 | Deferred<br>Shares<br>No. | Deferred<br>Shares<br>£'000 | Share<br>Premium<br>£'000 |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| <b>Balance at 4 April 2017<br/>(£0.025/£1.9752 shares)</b> | <b>2,048,990</b>          | <b>51</b>                   | <b>1,313,427</b>          | <b>2,594</b>                | <b>5,370</b>              |

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.

**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 2017.

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

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:

**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.

**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 period is expected to be £132,000 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

| <b>Assumption</b>                         | <b>Change in the Defined Benefit Obligation %</b> | <b>Change in the Defined Benefit Obligation (£'000)</b> |
|---|---|---|
| 0.25% p.a. reduction in discount rate     | +3.60   | 49  |
| 0.25% increase in inflation               | +1.50   | 20  |
| Members assumed to live one period longer | +4.10   | 56  |

In the period 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:**

32.1% (2017: 27.5%) of pensionable salaries less member contributions, payable monthly by the 19<sup>th</sup> of the calendar month after that to which they relate. Such amounts will be paid by the employer within a period 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 2015, the employer will make the following contributions over the period from 1 April 2015 to 31 March 2030 (these contributions have been temporarily suspended for all Trustees other than employees):

- From 1 April 2015 until 1 August 2015 contributions of £17,000 per month has been paid in accordance with the previous recovery plan.
- From 1 August 2015, £10,000 per month are payable by the 19<sup>th</sup> 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 2015 is payable in the financial period 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 period in which the profits are generated;
- Funding shortfall contributions (including profit-share contributions) will cease in the event that a funding surplus is certified by the Scheme Actuary.

The company came to an agreement with the Trustees of the scheme on 25 July 2018, whereby the Trustees are prepared to support the Group during its financial year to 31 March 2019 and have therefore agreed that the current monthly deficit contributions will be suspended with a view to these commencing again after 31 July 2019. The Scheme expenses and the cost of future benefit accrual will continue to be met by the Group.

Additionally, the PPF levy payment due to be paid by the Group in September 2018 will be met directly out of the Pension Fund assets, subject to the Group repaying this and other past payments of the Levy already made by the Pension fund in addition to the deficit contributions.

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued)  
FOR THE PERIOD ENDED 31 MARCH 2018

16. RETIREMENT BENEFIT SCHEMES (continued)

| (a) Pension cost (recognised in Income Statement)            | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <i>Operating charge</i>                                      |               |               |
| Current service cost   | 21            | 14            |
| <i>Other finance charges</i>                                 |               |               |
| Interest on net defined benefit obligation                   | 36            | 67            |
| <b>Total pension cost recognised in the Income Statement</b> | <b>57</b>     | <b>81</b>     |

| (b) Benefit liability               | 2018<br>£'000 | 2017<br>£'000 | 2016<br>£'000 | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Present value of funded obligations | 7,742         | 8,446         | 8,295         | 8,424         | 7,101         |
| Fair value of plan assets           | (6,388)       | (7,066)       | (6,364)       | (6,532)       | (5,687)       |
| Net liability                       | 1,354         | 1,380         | 1,931         | 1,892         | 1,414         |

The major categories of plan assets are as follows:

|                             | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------------|---------------|---------------|
| Equities (quoted)           | 2,308         | 1,704         |
| Index-Linked Gilts          | 1,832         | 2,338         |
| Corporate Bonds             | 1,162         | 1,947         |
| Liability Driven Investment | 640           | -             |
| Cash                        | 446           | 736           |
| Bank Balance                | -             | 341           |
|                             | <b>6,388</b>  | <b>7,066</b>  |

**Plan assets**

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

|                   | 2018  | 2017  |
|-------------------|-------|-------|
| Equities (quoted) | 36.1% | 24.1% |
| Bonds             | 46.9% | 60.6% |
| LDI               | 10.0% | -     |
| Cash/other        | 7.0%  | 15.3% |

**Plan risks**

The defined benefit plan typically exposes the Group to actuarial risks, as stated on page 35, which are managed by a joint working group, comprising the Trustees of the defined benefit plan and the Board.

| (c) Change in benefit obligation                                    | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Benefit obligation at beginning of the period                       | 8,446         | 8,295         |
| Current service cost  | 21            | 14            |
| Interest cost   | 222           | 291           |
| Actuarial gain/(loss) arising from changes in financial assumptions | (396)         | 124           |
| Contributions by plan participants                                  | 3             | 3             |
| Benefits paid   | (554)         | (281)         |
| Benefit obligations at end of the period                            | <b>7,742</b>  | <b>8,446</b>  |

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued)  
FOR THE PERIOD ENDED 31 MARCH 2018

16. RETIREMENT BENEFIT SCHEMES (continued)

| (d) Change in plan assets   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Fair value of plan assets at beginning of the period                                | 7,066         | 6,364         |
| Expected return on plan assets  | 186           | 224           |
| Actuarial (loss)/gains on plan assets arising from changes in financial assumptions | (450)         | 619           |
| Contributions made by employer  | 137           | 137           |
| Contributions by plan participants  | 3             | 3             |
| Benefits paid   | (554)         | (281)         |
| Fair value of plan assets at end of the period                                      | 6,388         | 7,066         |

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 2.78% (2017: 2.71% pa).

| (e) Principal actuarial assumptions      | 2018  | 2017  |
|--|---|---|
| Inflation (CPI)                          | 2.12  | 2.10  |
| Rate of increase in pensionable salaries | 2.50  | 2.50  |
| Discount rate                            | 2.78  | 2.71  |
| Pension in payment increases             | 2.12  | 2.10  |
| Revaluation rate for deferred pensioners | 2.12  | 2.10  |
| Male Mortality                           | <b>S2NMA CMI 2017<br/>with 1% P.a. long-<br/>term improvement</b>           | S2NMA CMI<br>2016 with 1%<br>P.a. long-term<br>improvement            |
| Female Mortality                         | <b>Female S2NFA<br/>CMI 2017 with 1%<br/>P.a. long-term<br/>improvement</b> | Female S2NFA<br>CMI 2016 with<br>1% P.a. long-<br>term<br>improvement |
| Life expectancy from age 65 (periods):   |   |   |
| Male currently aged 65                   | 22.0  | 22.1  |
| Female currently aged 65                 | 24.0  | 24.1  |
| Male currently aged 45                   | 23.1  | 23.2  |
| Female currently aged 45                 | 25.2  | 25.3  |

(f) Expected future cash flows

The Group's expected contribution to its defined benefit plans in 2018 is expected to be £132,000 (2017: £140,000). The Group does not expect any material changes to the annual cash contributions over the next three periods 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 31 March 2018 is approximately 17 years.



**ASSOCIATED BRITISH ENGINEERING PLC**

**NOTES TO THE ACCOUNTS – GROUP (continued)  
FOR THE PERIOD ENDED 31 MARCH 2018**

| 17. PAYABLES                               | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Current</b>                             |               |               |
| Obligations under finance leases           | 22            | 59            |
| Trade payables                             | 237           | 351           |
| Other taxation and social security         | 5             | 14            |
| Other payables                             | 43            | 45            |
| Accruals                                   | 346           | 223           |
|  | <u>653</u>    | <u>692</u>    |
| <br>                                       |               |               |
| The net finance lease obligations are due: |               |               |
| In one period or less                      | 22            | 59            |
| Between two and three periods              | 13            | 25            |
|  | <u>35</u>     | <u>84</u>     |

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.

|                               | 2018                              |  | 2017                              |  |
|-------------------------------|-----------------------------------|--|-----------------------------------|--|
|                               | Loans and<br>Receivables<br>£'000 | Fair value<br>Profit or<br>loss<br>£'000 | Loans and<br>receivables<br>£'000 | Fair value<br>Profit or<br>loss<br>£'000 |
| <b>Financial assets:</b>      |                                   |  |                                   |  |
| Trade and other receivables   | 227                               | -  | 288                               | -  |
| <b>Total current</b>          | <u>227</u>                        | <u>-</u>                                 | <u>288</u>                        | <u>-</u>                                 |
| <b>Total</b>                  | <u>227</u>                        | <u>-</u>                                 | <u>288</u>                        | <u>-</u>                                 |
| <b>Financial liabilities:</b> |                                   |  |                                   |  |
| Loans                         | 13                                | -  | 25                                | -  |
| <b>Total non- current</b>     | <u>13</u>                         | <u>-</u>                                 | <u>25</u>                         | <u>-</u>                                 |
| Trade and other payables      | 575                               | -  | 633                               | -  |
| Loans                         | 22                                | -  | 59                                | -  |
| <b>Total current</b>          | <u>597</u>                        | <u>-</u>                                 | <u>692</u>                        | <u>-</u>                                 |
| <b>Total</b>                  | <u>610</u>                        | <u>-</u>                                 | <u>717</u>                        | <u>-</u>                                 |

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 £3,440 (2017: £5,000).

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 17.

**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 2018 and 2017 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 £109,000 (2017: £104,000) has been included in the financial statements.

At the period end, 9.6% (2017: 10%) of current financial assets are aged greater than 90 days. These amounted to £612,000 and, of this amount, £574,000 has been provided for (2017: £702,000 and £472,000 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<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|--|------------------|------------------|------------------|----------------|
| <b>Available for sale financial assets</b> |                  |                  |                  |                |
| Quoted securities                          | <u>264</u>       | <u>-</u>         | <u>-</u>         | <u>264</u>     |

## ASSOCIATED BRITISH ENGINEERING PLC

### NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 31 MARCH 2018

#### 19. DEFERRED TAXATION

The deferred taxation liability at 31 March 2018 was £Nil (2017: £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% (2017: 17 %)) are set out below:

| <b>Group</b>                 | <b>2018</b>  | <b>2017</b>  |
|------------------------------|--------------|--------------|
|                              | <b>£'000</b> | <b>£'000</b> |
| Arising from trading losses  | <b>620</b>   | 528          |
| Arising from capital losses  | <b>1,451</b> | 1,451        |
| Arising from pension deficit | <b>230</b>   | 328          |
|                              | <b>2,301</b> | <b>2,307</b> |

#### 20. CONTINGENT LIABILITIES

|                         | <b>2018</b>  | <b>2017</b>  |
|-------------------------|--------------|--------------|
|                         | <b>£'000</b> | <b>£'000</b> |
| a) Banker's indemnities | <b>30</b>    | 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 31 March 2018 or 3 April 2017.

#### 21. COMMITMENTS UNDER OPERATING LEASES

At 31 March the Group had the following commitments under non-cancellable operating leases:

|  | <b>2018</b>  | <b>Other</b> | <b>2017</b>  |
|--|--------------|--------------|--------------|
|  | <b>£'000</b> |              | <b>£'000</b> |
| Within one period                      | <b>11</b>    |              | 10           |
| Between two and five periods inclusive | <b>-</b>     |              | 10           |
|  | <b>11</b>    |              | <b>20</b>    |

## ASSOCIATED BRITISH ENGINEERING PLC

### NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 31 MARCH 2018

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#### 22. SUBSIDIARIES

At 31 March 2018 the Company held share capital in the following subsidiaries:

| <b>Company</b>                | <b>% Holding</b>    | <b>Activity</b>  | <b>Registered office</b>                  | <b>Country of Incorporation</b> |
|-------------------------------|---------------------|--|---|---------------------------------|
| British Polar Engines Limited | 100%<br>(2017:100%) | 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% (2017: 99.7%) | Commodity, natural resource and trade finance  | 10 Queen Street Place, London, EC4R 1AG   | England & Wales                 |
| Kelvin Diesels Limited        | 100% (2017: 100%)   | Diesel Engines, acting as nominee for British Polar Engines Limited                    | 133 Helen Street, Govan, Glasgow, G51 3HD | Scotland                        |

#### 23. RELATED PARTY TRANSACTIONS

At 31 March 2018, British Polar Engines held shares in SalvaRx Group Plc.

Colin Weinberg, a director of the Company held 0.12% holding in SalvaRx Group Plc at 31 March 2018 (0.1% at 3 April 2017).

In addition, C Weinberg also held share options, as at 31 March 2018.

**COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

|                                     | Note | 31 March<br>2018<br>£'000 | 3 April<br>2017<br>£'000 |
|-------------------------------------|------|---------------------------|--------------------------|
| <b>ASSETS</b>                       |      |                           |                          |
| <b>Non-current assets</b>           |      |                           |                          |
| Property, plant and equipment       | 7    | -                         | -                        |
| Investments in subsidiaries         | 9    | -                         | -                        |
| Available for sale financial assets | 10   | 96                        | 169                      |
|                                     |      | <u>96</u>                 | <u>169</u>               |
| <b>Current assets</b>               |      |                           |                          |
| Trade and other receivables         | 11   | -                         | -                        |
| Cash and cash equivalents           |      | 24                        | 30                       |
|                                     |      | <u>24</u>                 | <u>30</u>                |
| <b>Total assets</b>                 |      | <u><u>120</u></u>         | <u><u>199</u></u>        |
| <b>EQUITY AND LIABILITIES</b>       |      |                           |                          |
| 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          |      | (32)                      | 41                       |
| Retained earnings                   |      | (8,172)                   | (8,151)                  |
| <b>Total equity</b>                 |      | <u>23</u>                 | <u>117</u>               |
| <b>LIABILITIES</b>                  |      |                           |                          |
| <b>Current liabilities</b>          |      |                           |                          |
| Trade and other payables            | 12   | 97                        | 82                       |
| <b>Total liabilities</b>            |      | <u>97</u>                 | <u>82</u>                |
| <b>Total equity and liabilities</b> |      | <u><u>120</u></u>         | <u><u>199</u></u>        |

Under section 408 of the Companies Act 2006, the company is exempt from the requirements to present its own Income statement. The loss after tax for the period was £21,000 (2017: loss £7,000)

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2018 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 31 MARCH 2018**

|   | Share<br>capital | Share<br>premium | Deferred<br>shares | Other<br>reserve | Available<br>for Sale<br>Financial<br>Assets | Retained<br>earnings | Total     |
|---|------------------|------------------|--------------------|------------------|--|----------------------|-----------|
|   | £'000            | £'000            | £'000              | £'000            | £'000  | £'000                | £000      |
| <b>Balance at 1 April 2016</b>                              | 51               | 5,370            | 2,594              | 212              | 7  | (8,144)              | 90        |
| Loss for the period   | -                | -                | -                  | -                | -  | (7)                  | (7)       |
| <b>Other comprehensive income</b>                           |                  |                  |                    |                  |  |                      |           |
| Unrealised gain on Available for Sale financial assets (**) | -                | -                | -                  | -                | 34   | -                    | 34        |
| <b>Total comprehensive income for the period</b>            | -                | -                | -                  | -                | 34   | (7)                  | 27        |
| Balance at 3 April 2017                                     | 51               | 5,370            | 2,594              | 212              | 41   | (8,151)              | 117       |
| Loss for the period   | -                | -                | -                  | -                | -  | (21)                 | (21)      |
| <b>Other comprehensive income</b>                           |                  |                  |                    |                  |  |                      |           |
| Unrealised gain on Available for Sale financial assets (**) | -                | -                | -                  | -                | (73)   | -                    | (73)      |
| <b>Total comprehensive income for the period</b>            | -                | -                | -                  | -                | (73)   | (21)                 | (94)      |
| <b>Balance at 31 March 2018</b>                             | <b>51</b>        | <b>5,370</b>     | <b>2,594</b>       | <b>212</b>       | <b>(32)</b>                                  | <b>(8,172)</b>       | <b>23</b> |

(\*\*) = 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 31 MARCH 2018**

|   | <b>2018</b>  | 2017  |
|---|--------------|-------|
|   | <b>£'000</b> | £'000 |
| <b>Cash flows from operating activities</b>             |              |       |
| Cash used in operations                                 | <b>(24)</b>  | (16)  |
| Interest received                                       | <b>18</b>    | 18    |
| <b>Net cash used in operating activities</b>            | <b>(6)</b>   | 2     |
| <b>Cash flows from investing activities</b>             | -            | -     |
| <b>Net cash derived from investing activities</b>       | -            | -     |
| <b>Cash flows from financing activities</b>             | -            | -     |
| <b>Net cash used in financing activities</b>            | -            | -     |
| Net decrease in cash and cash equivalents               | <b>(6)</b>   | 2     |
| <b>Cash and cash equivalents at beginning of period</b> | <b>30</b>    | 28    |
| Cash and cash equivalents at end of period              | <b>24</b>    | 30    |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>              |              |       |
|   | <b>2018</b>  | 2017  |
|   | <b>£'000</b> | £'000 |
| Loss before taxation                                    | <b>(21)</b>  | (8)   |
| <b>Adjustments for:</b>                                 |              |       |
| Interest income   | <b>(18)</b>  | (18)  |
| <b>Changes in working capital:</b>                      |              |       |
| (Increase)/decrease in trade and other receivables      | -            | 3     |
| Increase/(decrease) in payables                         | <b>15</b>    | 7     |
| Taxes paid  | -            | -     |
| Cash used in operations                                 | <b>(24)</b>  | (16)  |

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 31 MARCH 2018**

**1. OPERATING COSTS AND OPERATING LOSS**

Operating loss is stated after charging

|              |       |
|--------------|-------|
| <b>2018</b>  | 2017  |
| <b>£'000</b> | £'000 |

Fees payable to the Company's auditor for the audit of the company's annual accounts

|           |           |
|-----------|-----------|
| <u>22</u> | <u>21</u> |
|-----------|-----------|

**2. STAFF COSTS AND EMPLOYEES**

|              |       |
|--------------|-------|
| <b>2018</b>  | 2017  |
| <b>£'000</b> | £'000 |

Wages and salaries

|                  |                  |
|------------------|------------------|
| <u>48</u>        | <u>48</u>        |
| <u><b>48</b></u> | <u><b>48</b></u> |

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

|               |        |
|---------------|--------|
| <b>2018</b>   | 2017   |
| <b>Number</b> | Number |

**By activity**

Directors

|          |   |
|----------|---|
| <b>2</b> | 2 |
|----------|---|

Administration

|          |   |
|----------|---|
| <b>1</b> | 1 |
|----------|---|

|                 |                 |
|-----------------|-----------------|
| <u><b>3</b></u> | <u><b>3</b></u> |
|-----------------|-----------------|

**3. DIRECTORS' REMUNERATION**

|              |       |
|--------------|-------|
| <b>2018</b>  | 2017  |
| <b>£'000</b> | £'000 |

Remuneration in respect of directors was as follows:

Remuneration

|                  |                  |
|------------------|------------------|
| <u><b>32</b></u> | <u><b>32</b></u> |
|------------------|------------------|

**4. KEY MANAGEMENT COMPENSATION**

|              |       |
|--------------|-------|
| <b>2018</b>  | 2017  |
| <b>£'000</b> | £'000 |

Remuneration of Company directors

|                  |                  |
|------------------|------------------|
| <u><b>32</b></u> | <u><b>32</b></u> |
|------------------|------------------|

The Company made no pension contributions in respect of Company directors during the period ended 31 March 2018 or 3 April 2017.

**5. INTEREST RECEIVED**

|              |       |
|--------------|-------|
| <b>2018</b>  | 2017  |
| <b>£'000</b> | £'000 |

Interest receivable on cash and cash equivalents

|                    |                    |
|--------------------|--------------------|
| <u><b>(18)</b></u> | <u><b>(18)</b></u> |
| <u><b>(18)</b></u> | <u><b>(18)</b></u> |

**6. TAXATION**

There is no taxation liability at 31 March 2018 (2017: £nil)

**ASSOCIATED BRITISH ENGINEERING PLC**

**NOTES TO THE ACCOUNTS - COMPANY  
FOR THE PERIOD ENDED 31 MARCH 2018**

**7. PROPERTY, PLANT AND EQUIPMENT**

|                                 | Computer<br>equipment<br>£'000 | Total<br>£'000         |
|---------------------------------|--------------------------------|------------------------|
| <b>COST</b>                     |                                |                        |
| At 1 April 2016                 | 2                              | 2                      |
| Additions                       | -                              | -                      |
| Disposals                       | -                              | -                      |
|                                 | <u>2</u>                       | <u>2</u>               |
| At 3 April 2017                 | <u>2</u>                       | <u>2</u>               |
| At 4 April 2017                 | 2                              | 2                      |
| Additions                       | -                              | -                      |
| Disposals                       | -                              | -                      |
|                                 | <u>2</u>                       | <u>2</u>               |
| <b>At 31 March 2018</b>         | <b><u>2</u></b>                | <b><u>2</u></b>        |
| <b>ACCUMULATED DEPRECIATION</b> |                                |                        |
| At 1 April 2016                 | 2                              | 2                      |
| Charge for period               | -                              | -                      |
| Eliminated on disposals         | -                              | -                      |
|                                 | <u>2</u>                       | <u>2</u>               |
| At 3 April 2017                 | <u>2</u>                       | <u>2</u>               |
| At 4 April 2017                 | 2                              | 2                      |
| Charge for period               | -                              | -                      |
| Eliminated on disposals         | -                              | -                      |
|                                 | <u>2</u>                       | <u>2</u>               |
| <b>At 31 March 2018</b>         | <b><u>2</u></b>                | <b><u>2</u></b>        |
| <b>CARRYING AMOUNTS</b>         |                                |                        |
| <b>At 31 March 2018</b>         | <b><u><u>-</u></u></b>         | <b><u><u>-</u></u></b> |
| At 3 April 2017                 | <u>-</u>                       | <u>-</u>               |
| At 31 March 2016                | <u><u>-</u></u>                | <u><u>-</u></u>        |

**8. CAPITAL COMMITMENTS**

At 31 March 2018 the Company has no capital commitments (2017: £Nil)

**ASSOCIATED BRITISH ENGINEERING PLC**

**NOTES TO THE ACCOUNTS - COMPANY  
FOR THE PERIOD ENDED 31 MARCH 2018**

**9. INVESTMENTS IN SUBSIDIARIES**

| <b>Company</b>                | <b>% Holding</b> | <b>Activity</b>  | <b>Registered office</b>                  | <b>Country of Incorporation</b> |
|-------------------------------|------------------|--|---|---------------------------------|
| 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 *      |                  | Commodity, natural resource and trade finance  | 10 Queen Street Place, London, EC4R 1AG   | England & Wales                 |
| Kelvin Diesels Limited        | 100%             | 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 31 March 2018 and 3 April 2017.

\* Held indirectly via British Polar Engines Limited

**10 AVAILABLE FOR SALE INVESTMENTS**

|                     | <b>2018<br/>£'000</b> | 2017<br>£'000  |
|---------------------|-----------------------|--|
| Listed securities   | <u>96</u>             | <u>169</u>   |
|                     |                       | <b>Available For<br/>Sale<br/>financial assets<br/>£</b> |
| Opening balance     |                       | 169  |
| Net fair value gain |                       | (73)   |
| Closing balance     |                       | <u>96</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.

## ASSOCIATED BRITISH ENGINEERING PLC

### NOTES TO THE ACCOUNTS - COMPANY FOR THE PERIOD ENDED 31 MARCH 2018

| <b>11 TRADE AND OTHER RECEIVABLES</b> | <b>2018</b>  | 2017     |
|---------------------------------------|--------------|----------|
|                                       | <b>£'000</b> | £'000    |
| Trade and other receivables           | -            | 2        |
| Prepayments and accrued income        | -            | 1        |
|                                       | <u>-</u>     | <u>3</u> |

| <b>12 TRADE AND OTHER PAYABLES</b>           | <b>2018</b>      | 2017      |
|--|------------------|-----------|
|  | <b>£'000</b>     | £'000     |
| <b>Amounts falling due within one period</b> |                  |           |
| Trade and other payables                     | <b>62</b>        | 48        |
| Accruals and deferred income                 | <b>35</b>        | 34        |
|  | <u><b>97</b></u> | <u>82</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 31 March 2018 the Company has cash balances of £24,000 (2017: £30,000) and no bank overdraft (2017: £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 £240 (2017: £300).

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<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|--|------------------|------------------|------------------|----------------|
| <b>Available for sale financial assets</b> |                  |                  |                  |                |
| Quoted securities                          | <u>96</u>        | <u>-</u>         | <u>-</u>         | <u>96</u>      |

14. DEFERRED TAXATION

|                             | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------------|---------------|---------------|
| Arising from trading losses | 252           | 254           |
| Arising from capital losses | <u>1,408</u>  | <u>1,408</u>  |
|                             | <u>1,660</u>  | <u>1,662</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 31 MARCH 2018

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| 15. CALLED UP SHARE CAPITAL                            | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Nominal value:</b>                                  |               |               |
| 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 | <u>2,594</u>  | <u>2,594</u>  |
|  | <u>2,645</u>  | <u>2,645</u>  |
| <b>Carrying value:</b>                                 |               |               |
| Equity shares:   |               |               |
| 2,048,990 ordinary shares of £0.025 each               | <u>51</u>     | <u>51</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.

#### 16. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2018 or 3 April 2017.

#### 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.

## **ASSOCIATED BRITISH ENGINEERING PLC STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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### **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
- prepare a directors' reports, strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and 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 Group'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

### **WEBSITE PUBLICATION**

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.

### **DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4**

To the best of their knowledge, the directors confirm:

- 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: 30 July 2018

## 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](http://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 and B2.4. 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 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)

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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 periods and was its sales director from 1985 to 2007.

**Bill Girdwood** (42) he joined BPE in October 2015 from another engineering company and was 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 period and remains on sick leave. Bill Girdwood resigned as a director of BPE on 25 January 2018. 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 period. 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 2018 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 31 March 2018 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)

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#### **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 period 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-period 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 period 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-periodly 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 2015, the directors have assessed the viability of the Group over the immediate and foreseeable future (up to two periods 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-period period is appropriate for the Group as within two periods 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-period 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)**

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#### **GOING CONCERN**

The financial statements have been prepared on the going concern basis and based on our plans for the next two periods (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 period. 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 30 July 2018

## **ASSOCIATED BRITISH ENGINEERING PLC**

### **DIRECTORS' REMUNERATION REPORT**

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#### **Introduction**

This report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies (accounts and Reports) (Amendment) Regulations 2014 in respect of the period ended 31 March 2018. 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 61 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 6.

#### **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 period'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 2014, an Ordinary resolution for the approval of the remuneration policy of the Company to remain in force for a three-period period, was put to the members of the Annual General Meeting and was effective from that date.

**DIRECTORS' REMUNERATION – SINGLE FIGURE TABLE (AUDITED)**

|                   | <b>2018</b>  | 2017  |
|-------------------|--------------|-------|
|                   | <b>Total</b> | Total |
|                   | <b>£'000</b> | £'000 |
| Mr R Pearce Gould | <b>10</b>    | 10    |
| Mr C Weinberg     | <b>20</b>    | 20    |
|                   | <b>30</b>    | 30    |

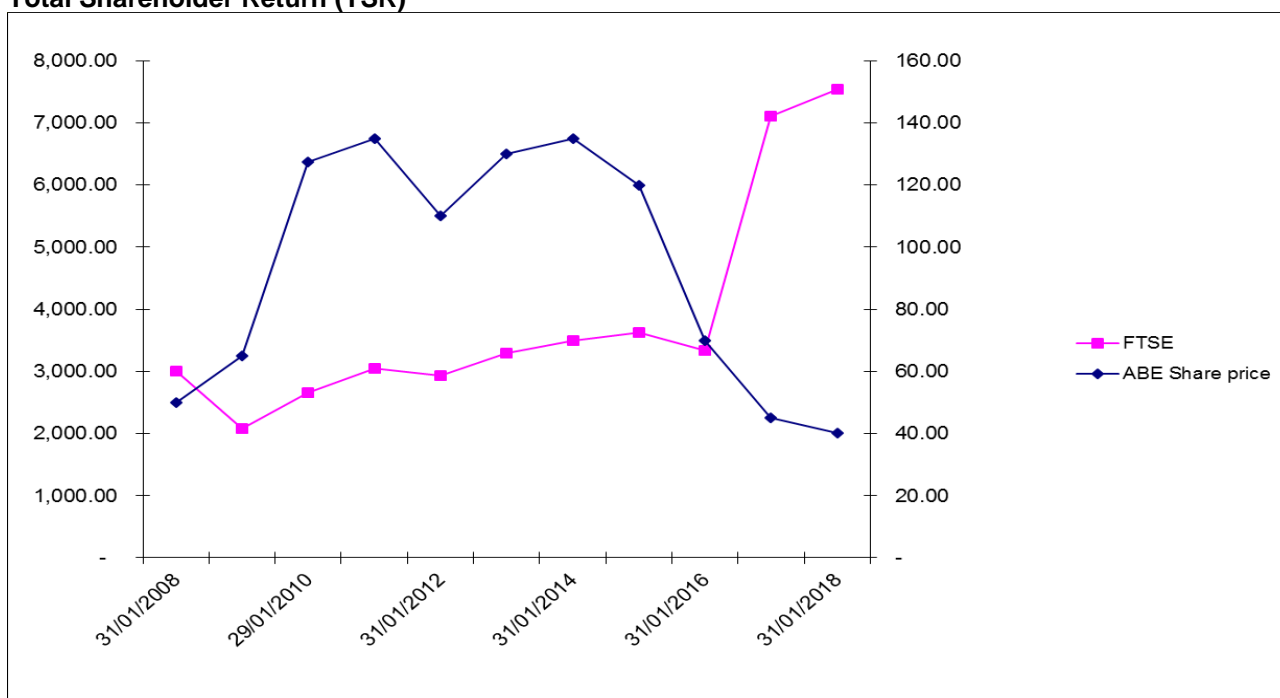
The amounts above all relate to directors' fees and represent the total remuneration of the company's directors but excludes fees of £27,000 for consultancy fees (2017: £16,000) paid by a subsidiary to Cambridge Management Consultants Limited, a company related to Mr Pearce Gould.

This section of the report is subject to approval by a simple majority of shareholders at the AGM in or around September 2018, as in previous periods.

**Statement of Voting at the Annual General Meeting (AGM)**

The 2017 Remuneration Report was presented to the AGM in September 2017 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

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**ASSOCIATED BRITISH ENGINEERING PLC****DIRECTORS' REMUNERATION REPORT**

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The graph on page 61 shows the Company's TSR performance compared to the FTSE All Share index over the past five periods. 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 30 July 2018



## **ASSOCIATED BRITISH ENGINEERING PLC**

### **DIRECTORS AND ADVISERS**

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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 2016. 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 periods until 2002.

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