

A · B · E

· ASSOCIATED BRITISH ENGINEERING PLC ·

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2019**

CONTENTS	Page
Financial highlights	1
Chairmen's statement	2
Directors' report	3
Strategic report	7
Report of the independent auditor - Group	11
Group accounting policies	17
Consolidated income statement	25
Consolidated statement of comprehensive income	26
Group statement of financial position	27
Group statement of changes in equity	28
Group cash flow statement	29
Notes to the Group financial statements	30
Company statement of financial position	47
Company statement of changes in equity	48
Company cash flow statement	49
Notes to the Company financial statements	50
Statement of directors' responsibilities	56
Corporate governance report	57
Directors' remuneration report	63
Directors, registered office and advisers	66

The Directors' Report on pages 3 to 6 and the Directors' Remuneration Report on pages 63 to 65 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 2019. Pages 1 to 10 and 56 to 66, 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

	2019	2018
	£'000	£'000
REVENUE	1,134	1,603
OPERATING LOSS	(1,742)	(525)
LOSS BEFORE TAXATION	(1,810)	(582)
NET (LIABILITIES)/ ASSETS	(3,708)	976
BASIC LOSS PER 2.5p ORDINARY SHARE	(84.5p)	(20.6p)
EQUITY SHAREHOLDERS' FUNDS PER 2.5p ORDINARY SHARE	(£1.81)	£0.48

ASSOCIATED BRITISH ENGINEERING PLC

CHAIRMEN'S STATEMENT FOR THE PERIOD ENDED 31 MARCH 2019

The shareholders of Associated British Engineering Plc will be disappointed to learn that the trading results for British Polar Engines (BPE) (a wholly owned subsidiary of ABE) in the year ending 31 March 2019 again failed to meet its budget and despite cost cutting and redundancies profits declined. Included however in these results are provisions to write down the assets in BPE as at 31 March 2019 - see further comment below.

In late 2018 the board of BPE started discussions with the Trustees of the Pension Fund to resolve the longer term costs to the company of the Pension Fund. There was further disappointment from BPE's pension fund actuarial valuations in 2019, which despite years of additional contributions showed the funds deficit was again on the increase. It was therefore decided to enter discussions to close off the cost of the Pension Fund to BPE.

The Board of BPE, supported by the Board of your company, entered into discussions with the Trustees of the Pension Fund, the Pensions Regulator and the Pension Protection Fund. As part of those discussions the Board of BPE decided that they should engage FRP Advisory LLP to advise on negotiations with the Trustees and the Pensions Regulator and consider the future of the operating business of BPE including marketing it as for sale. This decision was announced to the market on the 2 July 19 and we are in the middle of that process.

Following your Boards discussions with its auditors it has been decided to write down the assets of BPE as at 31 March 2019 to reflect the likely future scenario. The accounts as presented this year reflect these write downs and the increased impact of closing the pension fund. It is still a possibility that a smaller and leaner business emerges. In light of the matters described in the preceding paragraphs, the going concern basis of preparation has not been adopted and the assets have been reduced to their expected recoverable amounts as described in the basis of preparation.

The result is a write down of the assets and an increase in the liabilities especially to the pension fund. These adjustments to the accounts mask the poor trading results and the significant increase in the value of "assets held for resale" that are referred to in note 15. The Board of Associated British Engineering Plc has looked at a number of other businesses during the year and, with an expected resolution of BPE and its Pension Fund, is looking forward to a clearer future. The Board will of course keep shareholders as fully informed of developments as far as practically possible.

The Board would like to thank all staff and employees for their support and assistance during a difficult year.

Rupert Pearce Gould and Colin Weinberg

Chairmen

Date: 13 August 2019

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2019

The directors submit their report and audited accounts for the year ended 31 March 2019.

RESULTS AND DIVIDENDS

The Group's loss after tax and exceptional items amounted to £1,731,000 (2018: £422,000). The directors are unable to recommend a dividend on the ordinary shares for the period (2018: £nil per ordinary share).

DIRECTORS

The names of the directors who served during the period from 1 April 2018 to 31 March 2019 are:

Mr C Weinberg	Director
Mr R Pearce Gould	Director

Biographical details of the directors are set out on page 66.

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 R Pearce Gould retires by rotation and, being eligible, offers himself for re-election.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The group has, as permitted by s.234 and s.235 of the Companies Act 2006, maintained insurance cover on behalf of the directors and secretary indemnifying them against certain liabilities which may be incurred by them in relation to the company.

SUBSTANTIAL HOLDINGS

As at 8 August 2019 and at 31 March 2019 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 19.10% of issued ordinary shares.
Fiske Nominees Limited (FISKPOOL)	FISKPOOL owns 15.40% of issued ordinary shares.
R A Pearce Gould	Mr Pearce Gould's direct holding is 12.89% of issued ordinary shares.
C Weinberg	Mr Weinberg's direct holding is 8.17% 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 5.27% of issued ordinary shares.
Lynchwood Nominees Limited (DMOD)	DMOD owns 4.20% of issued ordinary shares.
Barclayshare Nominees Ltd	Barclayshare Nominees Ltd owns 3.68% of issued shares.
Vidacos Nominees Limited (BBUCCC)	BBUCCC owns 3.40% of issued ordinary shares.
Winterflood Securities Limited (WINSCREP)	Made up of multiple interested parties of which 3.04% of issued ordinary shares are owned.

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 31 MARCH 2019

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 1 April 2018 and 31 March 2019 were as follows:

	Ordinary shares of	
	2.5p 2019 No.	2.5p 2018 No.
Mr C Weinberg	167,416	161,416
Mr R Pearce Gould	264,049	264,049

No share options or derivatives were held by any of the directors at 31 March 2019 or 1 April 2018.

Since 31 March 2019 and up to and including 8 August 2019 there have been no changes in the directors' interests in the share capital of the Company.

FINANCIAL INTERESTS

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 20 to the Group financial statements and the Strategic Report.

FINANCIAL INTERESTS - CAPITAL

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

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

DISABLED PERSONS

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

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 2019

GLOBAL GHG EMISSIONS DATA FOR THE PERIOD ENDED 31 MARCH 2019

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: 330 tonnes (2018: 603 tonnes) of CO₂ emissions.

Transport: 3 tonnes of CO₂ emissions (2018: 7 tonnes).

The Group's chosen intensity measurement

Emissions reported above (181 tonnes of CO₂ e (2018: 181 tonnes)) normalised to per £'000 of turnover £1,134 (2018: £1,603): 0.16 Tonnes of CO₂ e per £'000 turnover (2018: 0.11).

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 2018.

GOING CONCERN

The Directors have considered the preparation of the financial statements of British Polar Engines Limited and, after discussions with the Trustees of the Pension Fund and discussions as to how to meet that liability and having taken advice, have come to the conclusion that it is inappropriate to prepare them on a going concern basis. Therefore the Directors have prepared the accounts on a basis other than going concern. Further information regarding going concern is disclosed in the accounting policies under the basis of preparation.

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 2019**

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 LLP as auditor of the Company will be proposed at the 2019 AGM. The confirmation has been recommended to the Board by its Audit Committee and Haysmacintyre LLP have indicated their willingness to remain in office.

By order of the Board

For and on behalf of
Woodberry Secretarial Limited
Date: 13 August 2019

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, carried 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. As described elsewhere, the company is currently marketing the business for sale. In the event that the business is not substantially restructured within the group or sold, it is anticipated that the company will cease to trade within 12 months of the date of approval of these financial statements.
2. Akoris Trading Limited ("Akoris").

BPE's business model and strategy:

On 2 July 2019, we made an announcement to the stock exchange in relation to the proposed future of BPE. We were in advanced discussions prior to the year-end and, as a consequence of this process, it was decided by the Board of BPE that they should engage FRP Advisory LLP to advise on negotiations with the Trustees of the Pension Fund and the Pensions Regular and consider the future of the operating business of BPE including marketing the company for sale. Our current principal strategy of the group is, therefore, to satisfactorily resolve the process that has commenced to maximise the benefit to our shareholders.

Until such time as these discussions are concluded, we will continue to concentrate on our core business as follows:

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 austerity in the oil sector. The downturn that commenced in the second half of 2015 has continued into 2019. The Board of both BPE and its parent company are actively monitoring the level of sales in this difficult economic environment.

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 57.

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

As previously stated under Business Model and Strategy above, the Board are in discussions with the Pensions Regulator and FRP Advisory LLP regarding the future of the subsidiary undertaking BPE. The outcome of the discussions will be announced in due course.

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 18 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.

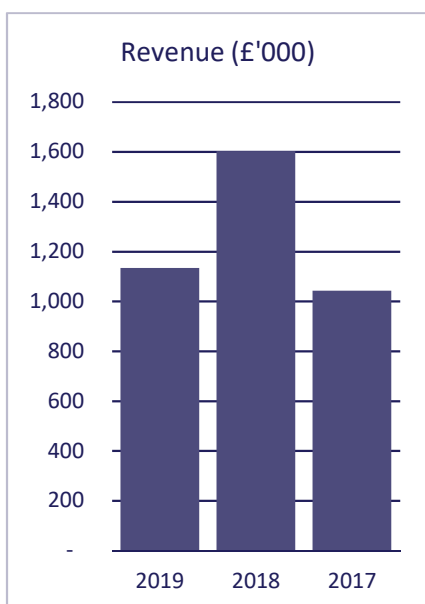
Further consideration of risks and uncertainties in respect of financial instruments that face the Group and Company is contained in note 20 to the Group financial statements.

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 2019, are disclosed in the corporate governance report on page 57.

ASSOCIATED BRITISH ENGINEERING PLC

STRATEGIC REPORT (continued) FOR THE PERIOD ENDED 31 MARCH 2019

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 people, made up of two male part time executives and three senior managers, two male and one female. We have a dedicated and loyal workforce, many of whom are long serving employees.

	Total no. of officers/employees	Number of males %	Number of females %
Senior Management	5	80	20
Whole Workforce	15	87	13

By order of the Board

For and on behalf of
Woodberry Secretarial Limited

Date: 13 August 2019

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

1. Our opinion on the financial statements

We have audited the financial statements of Associated British Engineering plc (the "parent company") and its subsidiary companies (the "Group") for the period ended 31 March 2019 which comprise of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated 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, the consolidated 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 2019 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.

Conclusions relating to principal risks, going concern and viability statement

Aside from the impact of the matters disclosed in the key audit matter section, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have any material to add or draw attention to:

- the disclosures in the annual report set out on page 8 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 61 in the annual report 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;
- whether the directors' statements relating to going concern and their assessment of the prospects of the company required under the Listing Rules in accordance with Listing Rule 9.8.6.R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on page 61 in the annual report 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.

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

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 of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

	The risk	Our response to the risk:
Going concern	At the planning stage we identified that there was a risk that the going concern basis of preparation may not be appropriate.	<p>As described in the accounting policies (see the disclosure on page 18 to the financial statements) the Directors' have concluded that the going concern basis of preparation is no longer applicable.</p> <p>We obtained a copy of the Directors' going concern assessment and evaluated and challenged the appropriateness of their conclusions. We debated with the Audit Committee the alternatives and considered the current trading status of the group and the expectations for the coming months.</p> <p>As a result of the decision to adopt a basis other than going concern the Directors' have carried out an assessment of the recoverable amount of each of the assets of the group and adjustments have been made to the value of these assets as appropriate. We reviewed and challenged management's estimates of the recoverable values of assets and are satisfied with the conclusions drawn by the Directors' in this regard.</p>
	<p>Key observations communicated to the Audit Committee</p> <p>We draw attention to the disclosure set out on page 18 which explains that the principal subsidiary, British Polar Engines Limited, is expected to be reconstructed, sold or cease trading within 12 months, and therefore we do not consider it to be appropriate to adopt the going concern basis of preparation in these financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described on page 18. Our opinion is not modified in respect of this matter.</p>	
Carrying value of inventory	<p>As at the year-end the valuation of inventory is £165,000 (2018: £1,037,000).</p> <p>There is a risk that inventory is not valued in accordance with relevant accounting standards or that the Company has not adequately provided against low or slow-moving inventory,</p>	<ul style="list-style-type: none"> • We performed walk-through procedures to gain an understanding of the Company's systems and controls in relation to inventory. • On a sample basis we agreed the unit price of a sample of inventory items to supporting documentation and assessed whether inventory was being held at the lower of cost or net realisable value. • We gained an understanding of assumptions made by management in respect of any inventory provisions and challenged the appropriateness of those assumptions. • We reviewed the adequacy of disclosures in the Company's financial statements.

	<p>Key observations communicated to the Audit Committee</p> <p>The financial statements are prepared on a basis other than going concern as described on page 18. Accordingly, management reviewed the net realisable value of the inventory and recorded adjustments to reduce inventory to its recoverable amount. Management have estimated the recoverable amount of inventory based on a review carried out by specialists (FRP Advisory LLP). We have assessed and challenged the adequacy of the work carried out by these specialists and are satisfied that the estimates made in determining the recoverable amount of the inventory are reasonable. We communicated no other key observations to the Audit Committee.</p>	
<p>Measurement of the defined benefit pension liability</p>	<p>As at the year-end the valuation of the defined benefit obligation is £4,982,000 (2018: £1,354,000).</p> <p>The valuation of this liability involves significant estimation techniques, accordingly there is a risk that the estimates and assumptions made are not appropriate and that, consequently, the value of the liability is materially misstated.</p>	<ul style="list-style-type: none"> • We obtained a copy of the valuation report carried out by the Actuary and carried out an assessment of the Actuary including whether they were suitably qualified to produce such a report. • We assessed whether the valuation basis of the defined benefit liability was appropriate • We gained an understanding of all key assumptions made in relation to the scheme liabilities, challenged the appropriateness of these assumptions and benchmarked these against available data. • We obtained an analysis of the scheme assets and, on a sample basis, assessed the valuation of these assets. • We reviewed the disclosures made in the financial statements in relation to the defined benefit obligation and assessed whether these disclosures were in accordance with the requirements of IAS 19.
	<p>Key observations communicated to the Audit Committee</p> <p>We challenged whether it was appropriate to continue to recognise the defined benefit obligation on a technical basis. Management subsequently instructed the Actuary to value the obligation on a solvency (s. 143) basis. We subsequently assessed and challenged the assumptions used by the Actuary on this basis.</p>	
<p>Revenue recognition</p>	<p>Revenue for the year to 31 March 2019 is £1,134,000 (2018: £1,603,000).</p> <p>There is a risk of material misstatement either as a result of fraud or error. Specifically, we considered that there was a risk of incorrect cut-off of revenue recognised during the year.</p>	<ul style="list-style-type: none"> • We performed walk-through procedures to gain an understanding of the Company's systems and controls in relation to revenue. • On a sample basis we agreed a sample of parts sales to supporting documentation, confirmed the occurrence of those sales and confirmed that revenue was correctly recognised. • On a sample basis we agreed a sample of services sales to supporting documentation and ensured that revenue was correctly recognised during the year. • On a sample basis we carried out cut-off procedures in respect of both the sale of parts and services and ensured that correct revenue recognition had been • We reviewed the disclosures, in particular in relation to the disclosure requirements arising from the adoption of IFRS 15, Revenue from Contracts with Customers.
	<p>Key observations communicated to the Audit Committee</p> <p>We communicated to the Audit Committee that we had gained satisfactory assurance in relation to revenue recognised during the year and that we were satisfied with the appropriateness of the disclosures in relation to Revenue Recognition.</p>	

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

An overview of the scope of our audit

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

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

The main trading entity is the focus of our audit as this comprises 100% of the Group's revenue. The audit of the subsidiary was carried out by the same engagement team that carried out the audit of the parent and the Group. Accordingly, the audit of the Group was completed by a single engagement team.

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 £23,000, 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 £1,150 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.

Other information

The other information comprises the information included in the annual report as set out on pages 1 to 66 other than the financial statements and our auditor's report thereon. The Directors' are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 61 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 58 and 59– the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 57 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- 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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, the Listing Rules and the UK Corporate Governance Code.
- We understood how the Group is complying with those frameworks through discussions with the Audit Committee and management in combination with a review of the Group's documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement including how fraud might occur by considering the key risks impacting the financial statements. Given the activities of the Group, we consider management override as being most likely to occur in the recognition of revenue, our procedures in this regard are stated in the Key Audit Matter above.
- We have reviewed that the Group's control environment is adequate for the size and operating model of such a listed Company.

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

Other matters 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 4 years, covering the periods ending 3 April 2017, 31 March 2018 and 31 March 2019.

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 LLP
Statutory Auditor, Chartered Accountants
London

13 August 2019

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES FOR THE PERIOD ENDED 31 MARCH 2019

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 of this annual report.

The financial statements have been prepared on a basis other than going concern.

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 1 April 2018 to 31 March 2019. The comparative figures are for the period 4 April 2017 to 31 March 2018.

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 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 16 is effective for annual periods beginning on or after 1 January 2019 and it removes the current distinction between an operating and finance lease, introducing consistent requirements for all leases similar to the current finance lease accounting. The lease value for leased premises as well as other smaller trade related operating leases will be brought onto the Statement of Financial Position at the fair value of the future minimum lease payments.

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

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairmen's statement on page 2. The financial position of the Group, its cash flows and liquidity position are described in the financial statements.

As described in detail in the Chairmen's Statement during late 2018 the Board of Directors' commenced discussions with the Trustees of the Pension Fund with the intention of resolving the longer-term costs to the Group of the Pension Fund with the view to closing off the cost of the Pension Fund to the Group. The Board of Directors' therefore entered into detailed discussions with the Trustees of the Pension Fund, the Pensions Regulator and the Pension Protection Fund with the view to obtaining a resolution of these matters.

The above discussions in relation to the proposed future of BPE were in advanced discussions prior to the year-end and, as a consequence of this process, it was decided by the Board of BPE that they should engage FRP Advisory LLP to advise on negotiations with the Trustees and the Pensions Regulator and consider the future of the operating business of BPE including marketing the Company for sale. An announcement was made to the market on the 2 July 2019 in respect of this process.

Consequently, the Directors have concluded that BPE is expected to be reconstructed, sold or cease trading within a period of 12 months from the date that these financial statements will be approved and, consequently have agreed that the going concern basis of preparation is no longer applicable.

As such, these financial statements have been prepared on a basis other than the going concern basis and, in accordance with IAS 1 the Company has made an assessment of the carrying value of its assets and adjustments have been made to reduce the carrying value of these assets to their expected recoverable amounts.

The assessment of the recoverable amount of these assets is considered to be a key accounting judgement and further details of this judgement can be found disclosed in these financial statements.

The resulting impairment charges in respect of the write down of the assets to their recoverable amounts have been classified as exceptional items. Further details of these exceptional items are included in note 3 to the financial statements. All of the Groups operations have been classified as discontinuing operations.

BASIS OF CONSOLIDATION

As set out in the Directors' report, the Directors have decided to prepare the financial statements on a basis other than that of a going concern. In adopting the basis other than going concern at the year end, the following policies and procedures were implemented:

- At 31 March 2019 all BPE non-current assets are considered as realisable, hence reclassified as current assets
- All BPE assets have been disclosed at values at which they are expected to be realised
- All liabilities reflect the full amount at which they are expected to materialise

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 2019.

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.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2019

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

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

REVENUE RECOGNITION

The Group has adopted Revenue from Contracts with Customers (IFRS 15) with an adoption date of 1 April 2018. The Group has assessed the requirements of IFRS 15 and have determined that the existing revenue recognition policy is in line with the requirements of this new standard, as all revenue relates to contracts held with customers. This adoption, therefore, did not result in a change in the accounting policy outlined below:

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:

Going concern

The Directors anticipate that the trade of the Company's principal subsidiary BPE is expected to be re-constructed, sold or cease trading within 12 months from the date that these financial statements will be approved and, consequently have agreed that the going concern basis of preparation is no longer applicable. Further details of the basis of preparation are set out on page 18.

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 21 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 keys 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 and have now deemed the pension scheme to be prepared under the solvency basis, which provides an estimate of the cost of transferring all liabilities to an insurer. This basis has been derived in line with the s.143 basis prescribed by the Pension Protection Fund ("PPF") that was in force as at 1 April 2019.

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 £3,471,000 (2018: £54,000 loss) was recognised in the Group accounts.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2019

The assumptions underpinning the actuarial valuation are disclosed further in note 18 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:

Recoverable amount of assets

Following the directors' decision to prepare the financial statements on a basis other than going concern, inventories, property, plant and equipment, trade and other receivables, available for sale assets have been written down to their recoverable amount. The directors appointed a specialist to value the above items at their recoverable amounts. Additional information is provided in the basis of preparation in the accounting policies.

Inventories

In previous years, inventories were stated at the lower of cost and net realisable value. Following the directors' decision to prepare the financial statements on a basis other than going concern, inventories have been written down to their recoverable amount. The comparatives are prepared in accordance with the accounting policies adopted in previous years.

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).

The inventory provision at the period end amounted to £3,441,000 (2018: £2,621,000). The gross value of inventories at the period end is £3,606,000 (2018: £3,659,000).

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.

INVENTORIES AND IMPAIRMENT OF INVENTORIES

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. However, following the directors' decision to prepare the financial statements on a basis other than going concern, inventories have been written down to their recoverable amount.

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 2019 the Group has provided £834,000 (2018: £609,000) against its trade receivables.

LEASED ASSETS

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

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

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2019

FOREIGN CURRENCIES

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

PROPERTY, PLANT AND EQUIPMENT

In previous years, plant and equipment are stated at cost less depreciation and any impairment in value. The comparatives are prepared in accordance with the accounting policies adopted in previous years. 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

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

The carrying values of plant and machinery are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. Following the directors' decision to prepare the financial statements on a basis other than going concern, property, plant and equipment have been written down to their recoverable amount.

Freehold property is held under the revaluation model and was 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.

The directors have assessed the relevant estimates and assumptions and have now deemed the pension scheme to be prepared under the solvency basis, which provides an estimate of the cost of transferring all liabilities to an insurer. This basis has been derived in line with the s.143 basis prescribed by the Pension Protection Fund ("PPF") that was in force as at 1 April 2019.

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 ASSETS

Financial assets are recognised initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification. The group derecognises financial assets when the contractual rights to the cash flows expire or the financial asset is transferred to a third party. This includes the de-recognition of receivables for which discounting arrangements are entered into.

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 20 and the various classifications of financial assets and liabilities are identified and explained.

Trade and other receivables

In previous years, trade and other receivables were 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 provision for bad, doubtful debts and overdue at the period-end was £834,000 (2018: £609,000). However, following the directors' decision to prepare the financial statements on a basis other than going concern, trade and other receivables have been written down to their recoverable amount. The comparatives are prepared in accordance with the accounting policies adopted in previous years.

Cash and cash equivalents

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

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.

Non-current liabilities

Following the directors' decision to prepare the financial statements on a basis other than going concern, all non-current liabilities have been reclassified as current liabilities. The comparatives are prepared in accordance with the accounting policies adopted in previous years.

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. However, during the current year this has subsequently changed given that they are now held at a discount to the quoted market price. The directors consider it appropriate to apply a discount due to a lack of liquidity in the markets. Gains and losses arising from changes in fair value of available for sale financial assets are included in other comprehensive income for the period. When the asset is disposed of or deemed to be impaired, the cumulative gain or loss is reclassified from equity reserve to income statement.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

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

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

ASSOCIATED BRITISH ENGINEERING PLC

GROUP AND PARENT COMPANY ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2019

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

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

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

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

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

Revaluation reserve includes all gains and losses relating to Property, Plant and Equipment

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

ASSOCIATED BRITISH ENGINEERING PLC

**CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2019**

	Note	2019 £'000	2018 £'000
REVENUE	1	1,134	1,603
Operating costs	2	(2,552)	(2,128)
Exceptional items	3	<u>(324)</u>	<u>-</u>
OPERATING LOSS	4	(1,742)	(525)
Finance expense	7	(68)	(57)
Finance income	7	<u>-</u>	<u>-</u>
LOSS BEFORE TAXATION		(1,810)	(582)
Taxation	8	<u>79</u>	<u>160</u>
LOSS FOR THE PERIOD		<u>(1,731)</u>	<u>(422)</u>
LOSS PER SHARE ON LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
BASIC AND DILUTED	9	<u>(84.5p)</u>	<u>(20.6p)</u>
Loss for the period attributable to:			
Owners of the Company		(1,731)	(422)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(1,731)</u>	<u>(422)</u>

The accounting policies on pages 17 to 24 and the notes on pages 30 to 46 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019**

	Note	2019 £'000	2018 £'000
Loss for the period		<u>(1,731)</u>	<u>(422)</u>
Other comprehensive (loss)/income			
Re-measurement of the net defined benefit liability (*)	18	(3,471)	(54)
Gain/ (Loss) on available for sale financial asset (**)		568	(168)
(Deficit)/surplus on revaluation of property		<u>(50)</u>	<u>600</u>
Other comprehensive (loss)/profit/ for the period		<u>(2,953)</u>	<u>378</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u><u>(4,684)</u></u>	<u><u>(44)</u></u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(4,684)	(44)
Non-controlling interests		-	-
		<u><u>(4,684)</u></u>	<u><u>(44)</u></u>

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

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

The accounting policies on pages 17 to 24 and the notes on pages 30 to 46 form part of these accounts.

**GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	-	833
Available for sale financial assets	15	21	264
		<u>21</u>	<u>1,097</u>
Current assets			
Property, plant and equipment	10	534	-
Available for sale financial assets	15	714	-
Inventories	12	165	1,037
Trade and other receivables	13	125	518
Cash and cash equivalents		389	344
		<u>1,927</u>	<u>1,899</u>
Total assets		<u><u>1,948</u></u>	<u><u>2,996</u></u>
EQUITY AND LIABILITIES			
Called up share capital	16	51	51
Deferred shares	16	2,594	2,594
Share premium account		5,370	5,370
Other reserves		11	11
Available for Sale reserve		805	(64)
Revaluation reserve		550	600
Retained earnings		(13,089)	(7,586)
Equity attributable to the Parent Company's Equity shareholders		<u>(3,708)</u>	<u>976</u>
Total equity		<u>(3,708)</u>	<u>976</u>
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	18b	-	1,354
Obligation under finance leases	19	-	13
		<u>-</u>	<u>1,367</u>
Current liabilities			
Trade and other payables	19	664	631
Obligations under finance leases	19	10	22
Retirement benefit obligations	18b	4,982	-
		<u>5,656</u>	<u>653</u>
Total liabilities		<u>5,656</u>	<u>2,020</u>
Total equity and liabilities		<u><u>2,032</u></u>	<u><u>2,996</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 13 August 2019 and were signed below on its behalf by:

C Weinberg
Director

The accounting policies on pages 17 to 24 and the notes on pages 30 to 46 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019**

	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
Balance at 3 April 2017	51	5,370	2,594	11	104	-	(7,110)	1,020	1,020
Loss for the period	-	-	-	-	-	-	(422)	(422)	(422)
Other comprehensive income									
Actuarial loss in defined benefit plan (*)	-	-	-	-	-	-	(54)	(54)	(54)
Unrealised loss on Available for Sale financial assets (**)	-	-	-	-	(168)	-	-	(168)	(168)
Revaluation									
Surplus on revaluation of freehold property	-	-	-	-	-	600	-	600	600
Total comprehensive income for the period	-	-	-	-	(168)	600	(476)	(44)	(44)
Balance at 1 April 2018	51	5,370	2,594	11	(64)	600	(7,586)	976	976
Loss for the period	-	-	-	-	-	-	(1,731)	(1,731)	(1,731)
Other comprehensive income									
Actuarial loss in defined benefit plan (*)	-	-	-	-	-	-	(3,471)	(3,471)	(3,471)
Unrealised gain on Available for Sale financial assets (**)	-	-	-	-	568	-	-	568	568
Realised gain on Available for Sale Financial assets	-	-	-	-	301	-	(301)	-	-
Revaluation									
Surplus on revaluation of freehold property	-	-	-	-	-	(50)	-	(50)	(50)
Total comprehensive income for the period	-	-	-	-	869	-	(5,503)	(4,684)	(4,684)
Balance at 31 March 2019	51	5,370	2,594	11	805	550	(13,089)	(3,708)	(3,708)

(*) = 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 17 to 24 and the notes on pages 30 to 46 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2019**

	2019	2018
	£'000	£'000
Cash flows from operating activities		
Cash used in operations	(80)	(256)
Interest received	-	-
Interest paid	(68)	(57)
Taxation	-	160
	<u>(148)</u>	<u>(153)</u>
Cash flows from investing activities		
Proceeds from sale of equipment	24	2
Purchase of equipment	(16)	(14)
Sale proceeds from trading investments	210	-
	<u>218</u>	<u>(12)</u>
Cash flows from financing activities		
New finance lease	-	11
Repayment of finance leases	(25)	(37)
	<u>(25)</u>	<u>(26)</u>
Net cash used in financing activities	<u>(25)</u>	<u>(26)</u>
Net decrease in cash and cash equivalents	45	(191)
Cash and cash equivalents at beginning of period	<u>344</u>	<u>535</u>
Cash and cash equivalents at end of period	<u><u>389</u></u>	<u><u>344</u></u>

CASH FLOW FROM OPERATING ACTIVITIES

	2019	2019
	£'000	£'000
Loss before taxation	(1,810)	(582)
Adjustments for:		
Depreciation	91	86
Interest income	-	-
Finance expense	68	57
Foreign exchange difference	(11)	2
Pension scheme interest expense	38	36
Cash paid in excess of current service cost	(204)	(116)
Profit on disposal of equipment	(6)	(2)
Impairment of assets	156	-
Profit on disposal of AFS investments	(108)	-
Changes in working capital:		
Decrease/(increase) in inventories	872	295
(Increase)/decrease in trade and other receivables	393	(5)
(Decrease)/increase in payables	33	(27)
	<u>(80)</u>	<u>(256)</u>
Cash used in operations	<u><u>(80)</u></u>	<u><u>(256)</u></u>

The accounting policies on pages 17 to 24 and the notes on pages 30 to 46 form part of these accounts.

NOTES TO THE ACCOUNTS - GROUP
FOR THE PERIOD ENDED 31 MARCH 2019

1. **SEGMENTAL REPORTING**

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

	2019 £'000	2018 £'000
United Kingdom	627	936
Europe	240	138
Far East and Australasia	87	64
Africa	81	176
North and South America	87	201
Middle East	12	88
	1,134	1,603

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

	2019 £'000	2018 £'000
Revenue from the sale of goods	773	937
Revenue from the rendering of services	361	666
	1,134	1,603

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

In the periods ended 31 March 2019 and 31 March 2018, 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 is a trade finance company.

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 2019**

1. SEGMENTAL REPORTING (continued)

Period to 31 March 2019	Associated British Engineering Plc £'000	British Polar Engines Limited £'000	Akoris Trading Limited £'000	Consolidated £'000
External sales	-	1,134	-	1,134
Segment result (LBIT)	(49)	(1,687)	(6)	(1,742)
Net finance expenses				(68)
Taxation				79
Loss after tax				(1,731)
Other information				
Capital additions	-	16	-	16
Balance sheet				
Segment assets	86	1,843	19	1,948
Period to 31 March 2018	Associated British Engineering Plc £'000	British Polar Engines Limited £'000	Akoris Trading Limited £'000	Consolidated £'000
External sales	-	1,583	20	1,603
Segment result (LBIT)/ PBIT	(159)	(359)	(7)	(525)
Net finance expenses				(57)
Taxation				160
Loss after tax				(422)
Other information				
Capital additions	-	16	-	16
Balance sheet				
Segment assets	121	2,859	16	2,996

Included in the total Group revenue was £253,000 (2018: £512,000) of sales which arose from two customers who contributed to 10% or more of the total Group revenue for the period ended 31 March 2019 (2018: two customers). The geographical market from which the revenue from the customers originate is principally the United Kingdom.

All of the revenue recognised by the Group during the year arose from contracts from customers as defined in IFRS 15.

2. OPERATING COSTS

	2019 £'000	2018 £'000
Raw materials used	1,175	732
Staff costs (note 4)	616	667
Depreciation of property plant and equipment	91	86
Other expenses	670	643
	2,552	2,128

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - GROUP (continued)
FOR THE PERIOD ENDED 31 MARCH 2019**

3. EXCEPTIONAL ITEM	2019	2018
	£'000	£'000
Exceptional item	(324)	-

Following the directors' decision to prepare the financial statements on a basis other than going concern, impairments have arisen to bring certain assets to their recoverable amounts and now shown as an exceptional item above. The items which relate to the impairment are tangible fixed assets (£156,000) and trade receivables (£167,944).

4. OPERATING LOSS	2019	2018
	£'000	£'000
Operating loss is stated after charging/(crediting)		
Depreciation on owned assets	59	54
Depreciation on assets held under finance leases	32	32
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
PLC audit costs	24	22
The audit of the Company's subsidiaries pursuant to legislation	22	21
Operating lease rental on plant and machinery	25	42
Profit on disposal of property, plant & equipment	(6)	(2)

5. STAFF COSTS AND EMPLOYEES	2019	2018
	£'000	£'000
Wages and salaries	332	499
Social security costs	34	52
Other pension costs	250	116
	616	667

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

	2019	2018
	Number	Number
By activity		
Production	5	9
Administration	11	13
	16	22

6. DIRECTORS' REMUNERATION

Directors received emoluments of £57,000 (2018: £57,000). Further details can be found on page 64.

KEY MANAGEMENT COMPENSATION	2019	2018
	£'000	£'000
Remuneration of Group directors	69	57

The Group made no pension contributions in respect of Group directors during the period ended 31 March 2019 or 31 March 2018.

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - GROUP (continued)
FOR THE PERIOD ENDED 31 MARCH 2019**

7. NET FINANCE EXPENSE	2019 £'000	2018 £'000
Interest on obligations under finance leases	<u>30</u>	<u>21</u>
Interest expenses for borrowings at amortised cost	30	21
Net interest cost on defined benefit pension scheme	<u>38</u>	<u>36</u>
	<u>68</u>	<u>57</u>
Interest receivable on cash and cash equivalents	<u>-</u>	<u>-</u>
	<u>68</u>	<u>57</u>

8. TAXATION	2019 £'000	2018 £'000
The tax charge is set out below:		
Current tax:		
United Kingdom corporation tax at 19% (2018: 19%)	-	-
Research & Development tax credit In respect of current period	<u>79</u>	<u>160</u>
	<u>-</u>	<u>-</u>
Total current tax and tax on profit on ordinary activities	<u>79</u>	<u>160</u>

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	<u>(1,810)</u>	<u>(422)</u>
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2018: 19%)	(344)	(80)
Effects of:		
Fixed asset differences	(1)	-
Expenses not deductible for tax purposes	11	9
Amounts (charged)/credited directly to equity or otherwise transferred	-	-
Income not taxable	-	2
Depreciation for the period in excess of capital allowances	22	9
Adjustment to recognised deferred tax	-	-
Other tax adjustments	14	-
Surrender of group relief	-	(3)
Losses carried forward	298	63
Research & Development credit	<u>79</u>	<u>160</u>
Taxation credit in the consolidated income statement	<u>79</u>	<u>160</u>

The Group has trading losses of approximately £4.5 million (2018: £3.6 million) and capital losses of £8.5 million (2018: £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 £765,000 (2018: £620,000) 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 2019**

9. LOSS PER SHARE

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

	Loss £'000	2019 Weighted Average number of shares	Per shares amount pence	Loss £'000	2018 Weighted Average number of shares	Per shares amount pence
Basic and diluted loss per share	(1,731)	2,048,990	(84.5p)	(422)	2,048,990	(20.6p)

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
COST			
At 4 April 2017	689	1,439	2,128
Additions	-	16	16
Disposals	-	(7)	(7)
At 31 March 2018	689	1,448	2,137
At 1 April 2018	689	1,448	2,137
Additions	-	16	16
Disposals	-	(24)	(24)
Impairment	-	-	(50)
At 31 March 2019	689	1,440	2,079
ACCUMULATED DEPRECIATION			
At 4 April 2017	689	1,136	1,825
Charge for period	21	65	86
Eliminated on disposals	-	(8)	(8)
Eliminated on revaluation	(600)	-	(600)
At 31 March 2018	110	1,193	1,303
At 1 April 2018	110	1,193	1,303
Charge for period	34	57	91
Eliminated on disposals	-	(7)	(7)
Eliminated on revaluation	-	-	-
Impairment	50	158	158
At 31 March 2019	194	1,401	1,545
CARRYING AMOUNTS			
At 31 March 2019	495	39	534
At 31 March 2018	579	255	834
At 3 April 2017 (as restated)	-	303	303

At 31 March 2019 assets held under finance leases included in plant and machinery had a carrying value of £9,188 (2018: £142,636).

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 31 MARCH 2019

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

In March 2019 the freehold property was valued at £550,000 by GVA Grimley Limited, an external valuer. Subsequently FRP Advisory LLP assessed that the recoverable amount of the freehold property at 31 March 2019 was £495,000. Accordingly, the valuation of the property has been valued at this amount.

11. CAPITAL COMMITMENTS

At 31 March 2019 the Group had capital commitments of £nil (2018: £nil).

12. INVENTORIES	2019 £'000	2018 £'000
Raw materials	23	100
Work in progress	9	34
Finished goods	133	903
	<u>165</u>	<u>1,037</u>

The closing inventory balance of £165,000 (2018: £1,037,000) is stated net of provisions of £3,441,000 (2018: £2,621,000). There was an increase in provision of £820,000 (2018: £125,000 increase) in relation to slow moving stock and due to the change in the basis of preparation of the financial statements.

13. TRADE AND OTHER RECEIVABLES	2019 £'000	2018 £'000
Trade receivables	922	836
Allowance for doubtful debts	(834)	(609)
	<u>88</u>	<u>227</u>
Prepayments and accrued income	37	291
	<u>125</u>	<u>518</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 and impaired at the year-end. The Group has recognised an allowance for doubtful debts against these items.

Ageing of trade receivables

	2019 £'000	2018 £'000
0 – 30 days	79	699
31 – 60 days	18	97
61 – 90 days	15	2
91 – 120 days	810	38
Provision against past due and impaired amounts	(834)	(609)
	<u>88</u>	<u>227</u>

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 31 MARCH 2019**

13. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts:

	2019	2018
	£'000	£'000
Balance at the beginning of the period	609	500
Increase in provision	225	109
Balance at the end of the period	834	609

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 balances at the period-end which accounts for 31% 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.

14. AVAILABLE FOR SALE INVESTMENTS

	2019	2018
	£'000	£'000
Listed Securities	735	264

	£'000
Opening balance	264
Additions	-
Revaluations	568
Disposals	(97)
Closing balance	735

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 are valued based on active markets' prices. In the prior year, the fair value of financial instruments were reported under Level 1 in the fair value hierarchy (2018: £264,000). However, during the current year this has subsequently changed given that they are held at a discount to the quoted market price (recoverable amount) following the decision by the directors to prepare the financial statements on a basis other than going concern. Included within the revaluation gain of £569,000 is an impairment loss of £309,000 in relation to this. This amount has been treated as a realised loss within the Group Statement of Changes in Equity.

As described in the prior year financial statements the Group held an investment in SalvaRx Group plc. During the year that entity disposed of its interest in its subsidiary, SalvaRx Limited to Portage Biotech Inc. Subsequently as part of a demerger, SalvaRx Group plc transferred 12,600,000 shares in Portage Biotech Inc, to the Group. Colin Weinberg resigned as a director of SalvaRx Group plc on 8 January 2019

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 31 MARCH 2019

15. CALLED UP SHARE CAPITAL	2019	2018
	£'000	£'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	51	51
1,313,427 deferred shares of £1.975 each	<u>2,594</u>	<u>2,594</u>
	<u>2,645</u>	<u>2,645</u>
Carrying value:		
Equity shares:		
2,048,990 ordinary shares of £0.025 each	<u>51</u>	<u>51</u>

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

	Ordinary Shares No.	Ordinary Shares £'000	Deferred Shares No.	Deferred Shares £'000	Share Premium £'000
Balance at 31 March 2019 (£0.025/£1.9752 shares)	<u>2,048,990</u>	<u>51</u>	<u>1,313,427</u>	<u>2,594</u>	<u>5,370</u>

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

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

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 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.

16. NON-CONTROLLING INTERESTS

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

17. 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 contribution personal pension plan which meets stakeholder requirements.

The directors have assessed the relevant estimates and assumptions and have now deemed the pension scheme to be prepared under the solvency basis, which provides an estimate of the cost of transferring all liabilities to an insurer. This basis has been derived in line with the s.143 basis prescribed by the Pension Protection Fund ("PPF") that was in force as at 1 April 2019.

The defined benefit scheme exposes the Group to actuarial risks such as

17. RETIREMENT BENEFIT SCHEMES (Continued)

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.

The scheme consists of 1 active members, 26 deferred members and 57 pensioner members. The contribution to the scheme for the forthcoming period is expected to be £118,000 including the contribution to the deficit.

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

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

Assumption	Change in the Defined Benefit Obligation %	Change in the Defined Benefit Obligation (£'000)
0.25% p.a. reduction in discount rate	+4.30	214
0.25% increase in inflation	+1.90	95
Members assumed to live one period longer	+5.20	259

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% (2018: 32.1%) of pensionable salaries less member contributions, payable monthly by the 19th 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 Members 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 19th of the calendar month after that to which they relate.

NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 31 MARCH 2019

17. RETIREMENT BENEFIT SCHEMES (continued)

- 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.

(a) Pension cost (recognised in Income Statement)	2019 £'000	2018 £'000
<i>Operating charge</i>		
Current service cost	11	21
Past service cost	164	-
	<u>175</u>	<u>21</u>
<i>Other finance charges</i>		
Interest on net defined benefit obligation	38	36
	<u>38</u>	<u>36</u>
Total pension cost recognised in the Income Statement	<u>213</u>	<u>57</u>

(b) Benefit liability	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Present value of funded obligations	11,066	7,742	8,446	8,295	8,424
Fair value of plan assets	(6,084)	(6,388)	(7,066)	(6,364)	(6,532)
	<u>4,982</u>	<u>1,354</u>	<u>1,380</u>	<u>1,931</u>	<u>1,892</u>
Net liability	<u>4,982</u>	<u>1,354</u>	1,380	1,931	1,892

The major categories of plan assets are as follows:

	2019 £'000	2018 £'000
Equities (quoted)	2,251	2,308
Index-Linked Gilts	1,704	1,832
Corporate Bonds	1,095	1,162
Liability Driven Investment	669	640
Cash	365	446
Bank Balance	-	-
	<u>6,084</u>	<u>6,388</u>

17. RETIREMENT BENEFIT SCHEMES (continued)**Plan assets**

The weighted-average asset allocations at the period-end were as follows:	2019	2018
Equities (quoted)	36.8%	36.1%
Bonds	45.8%	46.9%
LDI	11.0%	10.0%
Cash/other	6.4%	7.0%

Plan risks

The defined benefit plan typically exposes the Group to actuarial risks, as stated on page 36, which are managed by the Trustees of the defined benefit plan after consulting the Board.

(c) Change in benefit obligation	2019	2018
	£'000	£'000
Benefit obligation at beginning of the period	7,742	8,446
Current service cost	11	21
Interest cost	209	222
Actuarial gain/(loss) arising from changes in financial assumptions	3,364	(396)
Contributions by plan participants	2	3
Past service cost	164	-
Benefits paid	(426)	(554)
Benefit obligations at end of the period	11,066	7,742
(d) Change in plan assets	2019	2018
	£'000	£'000
Fair value of plan assets at beginning of the period	6,388	7,066
Expected return on plan assets	172	186
Actuarial (loss)/gains on plan assets arising from changes in financial assumptions	(64)	(450)
Contributions made by employer	12	137
Contributions by plan participants	2	3
Benefits paid	(426)	(554)
Fair value of plan assets at end of the period	6,084	6,388

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 1.36% (2018: 2.78% pa).

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 31 MARCH 2019**

17. RETIREMENT BENEFIT SCHEMES (continued)

(e) Principal actuarial assumptions	2019	2018
Inflation (CPI)	2.87	2.12
Rate of increase in pensionable salaries	n/a	2.50
Pre-retirement discount rate	0.86	2.78
Post-retirement discount rate	1.36	2.78
LPI pension increases	3.07	2.12
Deferred pension revaluation - Pre 09	2.87	2.12
Deferred pension revaluation - Post 09	1.77	2.12
Male Mortality	S2PMA CMI2016 (using core parameters) with 1.5% p.a. long- term improvement	S2NMA CMI 2017 with 1% p.a. long-term improvement
Female Mortality	S2PFA CMI2016 (using core parameters) with 1.25% p.a. long- term improvement	Female S2NFA CMI 2017 with 1% p.a. long-term improvement
Life expectancy from age 65 (periods):		
Male currently aged 65	22.4	22.0
Female currently aged 65	24.1	24.0
Male currently aged 45	24.2	23.1
Female currently aged 45	25.6	25.2

The directors have assessed the relevant estimates and assumptions and have now deemed the pension scheme to be prepared under the solvency basis, which provides an estimate of the cost of transferring all liabilities to an insurer. This basis has been derived in line with the s.143 basis prescribed by the Pension Protection Fund (“PPF”) that was in force as at 1 April 2019.

(f) Expected future cash flows

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 2019 is approximately 18 years.

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS – GROUP (continued)
FOR THE PERIOD ENDED 31 MARCH 2019**

18. PAYABLES	2019	2018
	£'000	£'000
Current		
Obligations under finance leases	10	22
Trade payables	163	237
Other taxation and social security	8	5
Other payables	43	43
Accruals	440	346
	664	653
The net finance lease obligations are due:		
In one period or less	10	22
Between two and three periods	-	13
	10	35

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

19. 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.

	2019		2018	
	Loans and Receivables	Fair value Profit or loss	Loans and receivables	Fair value Profit or loss
	£'000	£'000	£'000	£'000
Financial assets:				
Trade and other receivables	125	-	227	-
Total current	125	-	227	-
Total	125	-	227	-
Financial liabilities:				
Loans	-	-	13	-
Total non- current	-	-	13	-
Trade and other payables	664	-	575	-
Loans	10	-	22	-
Total current	674	-	597	-
Total	674	-	610	-

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.

19. 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 £3,892 (2018: £3,440).

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 19.

19. 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 2019 and 2018 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 £225,000 (2018: £109,000) has been included in the financial statements.

At the period end, 84.5% (2018: 9.6%) of current financial assets are aged greater than 90 days. These amounted to £810,350 and, of this amount, £771,770 has been provided for (2018: £612,000 and £574,000 respectively).

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available for sale financial assets				
Quoted securities	-	714	-	714

In the prior year, the fair value of financial instruments was observed to be Level 1 (2018: £264,000). However, during the current year this has subsequently changed given that they are now held at a discount to the quoted market price. The directors consider it appropriate to apply a discount due to a lack of liquidity in the markets.

20. DEFERRED TAXATION

The deferred taxation liability at 31 March 2019 was £Nil (2018: £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% (2018: 17%)) are set out below:

Group	2019	2018
	£'000	£'000
Arising from trading losses	765	620
Arising from capital losses	1,451	1,451
Arising from pension deficit	847	230
	<u>3,063</u>	<u>2,301</u>

21. CONTINGENT LIABILITIES

	2019	2018
	£'000	£'000
a) Banker's indemnities	<u>30</u>	<u>30</u>

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 2019 or 31 March 2018.

22. COMMITMENTS UNDER OPERATING LEASES

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

	2019	Other	2018
	£'000		£'000
Within one period	1		11
Between two and five periods inclusive	3		-
	<u>4</u>		<u>11</u>

ASSOCIATED BRITISH ENGINEERING PLC

NOTES TO THE ACCOUNTS – GROUP (continued) FOR THE PERIOD ENDED 31 MARCH 2019

23. SUBSIDIARIES

At 31 March 2019 the Company held share capital in the following subsidiaries:

Company	% Holding	Activity	Registered office	Country of Incorporation
British Polar Engines Limited	100%	Manufacture and supply of diesel engines, associated servicing and sale of spare parts	133 Helen Street, Govan, Glasgow, G51 3HD	Scotland
Akoris Trading Limited	99.7%	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

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	31 March 2019 £'000	31 March 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	-	-
Investments in subsidiaries	9	-	-
Available for sale financial assets	10	21	96
		<u>21</u>	<u>96</u>
Current assets			
Trade and other receivables		5	-
Cash and cash equivalents		60	24
		<u>65</u>	<u>24</u>
Total assets		<u><u>86</u></u>	<u><u>120</u></u>
EQUITY AND LIABILITIES			
Called up share capital	14	51	51
Deferred shares	14	2,594	2,594
Share premium account		5,370	5,370
Other reserve		212	212
Available for sale reserve		(57)	(32)
Retained earnings		(8,182)	(8,172)
Total equity		<u>(12)</u>	<u>23</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	98	97
Total liabilities		<u>98</u>	<u>97</u>
Total equity and liabilities		<u><u>86</u></u>	<u><u>120</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 £25,605 (2018: loss £21,000)

The financial statements were approved and authorised for issue by the Board of Directors on 13 August 2019 and were signed below on its behalf by:

C Weinberg
Director

The accounting policies on pages 17 and 24 and the notes on pages 50 to 55 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019**

	Share capital	Share premium	Deferred shares	Other reserve	Available for Sale Financial Assets	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£000
Balance at 3 April 2017	51	5,370	2,594	212	41	(8,151)	117
Loss for the period	-	-	-	-	-	(21)	(21)
Other comprehensive income							
Unrealised loss on Available for Sale financial assets (**)	-	-	-	-	(73)	-	(73)
Total comprehensive income for the period	-	-	-	-	(73)	(21)	(94)
Balance at 31 March 2018	51	5,370	2,594	212	(32)	(8,172)	23
Loss for the period	-	-	-	-	-	(26)	(26)
Other comprehensive income							
Unrealised loss on Available for Sale financial assets (**)	-	-	-	-	(9)	-	(9)
Realised gain on Available for Sale financial assets (**)	-	-	-	-	(16)	16	-
Total comprehensive income for the period	-	-	-	-	(25)	(10)	(35)
Balance at 31 March 2019	51	5,370	2,594	212	(57)	(8,182)	(12)

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

The accounting policies on pages 17 and 24 and the notes on pages 50 to 55 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

**COMPANY CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2019**

	2019 £'000	2018 £'000
Cash flows from operating activities		
Cash used in operations	(55)	(24)
Interest received	23	18
Net cash used in operating activities	<u>(32)</u>	<u>(6)</u>
Cash flows from investing activities		
Sale proceeds from trading investments	68	(21)
Net cash derived from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents	36	(6)
Cash and cash equivalents at beginning of period	<u>24</u>	<u>30</u>
Cash and cash equivalents at end of period	<u>60</u>	<u>24</u>
CASH FLOW FROM OPERATING ACTIVITIES		
	2019 £'000	2018 £'000
Loss before taxation	(25)	(21)
Adjustments for:		
Interest income	(23)	(18)
(Profit) on disposal of Available for Sale investments	(2)	-
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(5)	-
Increase/(decrease) in trade and other payables	-	15
Taxes paid	<u>-</u>	<u>-</u>
Cash used in operations	<u>(55)</u>	<u>(24)</u>

The accounting policies on pages 17 and 24 and the notes on pages 50 to 55 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC**NOTES TO THE ACCOUNTS - COMPANY
FOR THE PERIOD ENDED 31 MARCH 2019****1. OPERATING COSTS AND OPERATING LOSS**

Operating loss is stated after charging

2019	2018
£'000	£'000

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

<u>23</u>	<u>22</u>
-----------	-----------

2. STAFF COSTS AND EMPLOYEES

2019	2018
£'000	£'000

Wages and salaries

<u>54</u>	<u>48</u>
<u>54</u>	<u>48</u>

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

2019	2018
Number	Number

By activity

Directors

2	2
----------	---

Administration

1	1
----------	---

<u>3</u>	<u>3</u>
----------	----------

3. DIRECTORS' REMUNERATION

2019	2018
£'000	£'000

Remuneration in respect of directors was as follows:

Remuneration

<u>32</u>	<u>32</u>
-----------	-----------

4. KEY MANAGEMENT COMPENSATION

2019	2018
£'000	£'000

Remuneration of Company directors

<u>32</u>	<u>32</u>
-----------	-----------

The Company made no pension contributions in respect of Company directors during the period ended 31 March 2019 or 31 March 2018.

5. INTEREST RECEIVED

2019	2018
£'000	£'000

Interest receivable on cash and cash equivalents

<u>(23)</u>	<u>(18)</u>
<u>(23)</u>	<u>(18)</u>

6. TAXATION

There is no taxation liability at 31 March 2019 (2018: £nil)

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - COMPANY
FOR THE PERIOD ENDED 31 MARCH 2019**

7. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000	Total £'000
COST		
At 3 April 2017	2	2
Additions	-	-
Disposals	-	-
	<u>2</u>	<u>2</u>
At 31 March 2018	<u>2</u>	<u>2</u>
At 1 April 2018	2	2
Additions	-	-
Disposals	-	-
	<u>2</u>	<u>2</u>
At 31 March 2019	<u>2</u>	<u>2</u>
ACCUMULATED DEPRECIATION		
At 3 April 2017	2	2
Charge for period	-	-
Eliminated on disposals	-	-
	<u>2</u>	<u>2</u>
At 31 March 2018	<u>2</u>	<u>2</u>
At 1 April 2018	2	2
Charge for period	-	-
Eliminated on disposals	-	-
	<u>2</u>	<u>2</u>
At 31 March 2019	<u>2</u>	<u>2</u>
CARRYING AMOUNTS		
At 31 March 2019	<u>-</u>	<u>-</u>
At 31 March 2018	<u>-</u>	<u>-</u>
At 3 April 2017	<u>-</u>	<u>-</u>

8. CAPITAL COMMITMENTS

At 31 March 2019 the Company has no capital commitments (2018: £Nil)

ASSOCIATED BRITISH ENGINEERING PLC

**NOTES TO THE ACCOUNTS - COMPANY
FOR THE PERIOD ENDED 31 MARCH 2019**

9. INVESTMENTS IN SUBSIDIARIES

Company	% Holding	Activity	Registered office	Country of Incorporation
British Polar Engines Limited	100%	Manufacture and supply of diesel engines, associated servicing and sale of spare parts	133 Helen Street, Govan, Glasgow, G51 3HD	Scotland
Akoris Trading Limited	99.7%	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 2019 and 31 March 2018.

* Held indirectly via British Polar Engines Limited

10 AVAILABLE FOR SALE INVESTMENTS

	2019 £'000	2018 £'000
Listed securities	<u>21</u>	<u>96</u>
		Available For Sale financial assets £
Opening balance		96
Net fair value loss		(9)
Disposals		(66)
Closing balance		<u>21</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.

11 TRADE AND OTHER PAYABLES	2019 £'000	2018 £'000
Amounts falling due within one period		
Trade and other payables	57	62
Accruals and deferred income	41	35
	<u>98</u>	<u>97</u>

12 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 2019 the Company has cash balances of £60,000 (2018: £24,000) and no bank overdraft (2018: £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 £600 (2018: £240).

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.

12. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available for sale financial assets				
Quoted securities (2019)	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
Available for sale financial assets				
Quoted securities (2018)	<u>96</u>	<u>-</u>	<u>-</u>	<u>96</u>

13. DEFERRED TAXATION

	2019 £'000	2018 £'000
Arising from trading losses	259	252
Arising from capital losses	<u>1,408</u>	<u>1,408</u>
	<u>1,667</u>	<u>1,660</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 2019

14. CALLED UP SHARE CAPITAL	2019	2018
	£'000	£'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	51	51
1,313,427 deferred shares of £1.975 each share premium	2,594	2,594
	<u>2,645</u>	<u>2,645</u>
Carrying value:		
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.

15. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2019 or 31 March 2018.

16. RELATED PARTY TRANSACTIONS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors are required to prepare financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRSs) and have also been chosen to prepare the parent company financial statements under IFRS as adopted by the European Union. Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards, IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business
- 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: 13 August 2019

ASSOCIATED BRITISH ENGINEERING PLC

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

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

- The division of responsibilities between the roles of chairman and chief executive have not been clearly established, set out in writing and agreed by the Board. This is contrary to provision A.2.1. This has not been put in place because there is no chief executive on the Board but the appointment of joint-chairmen provides checks and balances;
- The Company does not have a Nomination Committee, this is contrary to provisions B2.1–B2.2 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 management, 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.

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.

ASSOCIATED BRITISH ENGINEERING PLC

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

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.

The Current Directors

Rupert Pearce Gould
Colin Weinberg

Short biographies of the directors appear on page 64 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 2019 financial statements and how they were addressed are outlined below:

Going concern

The committee have considered the preparation of the financial statements of BPE and, after discussions with the Trustees of the Pension Fund and discussions as to how to meet that liability and having taken advice, have come to the conclusion that it is inappropriate to prepare them on a going concern basis. Therefore, the Directors have prepared the accounts on a basis other than going concern.

In light of the above, the Board of BPE, supported by the Board of your company, entered into discussions with the Trustees of the Pension Fund, the Pensions Regulator and the Pension Protection Fund. As part of those discussions the Board of BPE decided that they should engage FRP LLP to advise on negotiations with the Trustees and the Pensions Regulator and consider the future of the operating business of BPE including marketing it as for sale. This decision was announced to the market on the 2 July 19 and we are in the middle of that process.

Audit Committee (continued)

Revenue Recognition and Management Override

The Committee have reviewed the systems and control processes in place during the financial period to 31 March 2019 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.

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. Following the decision to prepare the financial statements on a basis other than going concern, inventories have been written down to their recoverable amounts, in line with a report provided by a specialist. The Committee considered the appropriateness of that report and concluded that they were satisfied that those estimates were fair reflection of the recoverable amount of the inventory.

Recoverability of receivables

The Committee have reviewed the policy for providing for doubtful debts and believe them to be both robust and adequate. Following the decision to prepare the financial statements on a basis other than going concern, receivables have been written down to their recoverable amounts, in line with a report provided by a specialist. The Committee considered the appropriateness of that report and concluded that they were satisfied that those estimates were fair reflection of the recoverable amount of receivables.

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 have now deemed the pension scheme to be prepared under the solvency basis, which provides an estimate of the cost of transferring all liabilities to an insurer. This basis has been derived in line with the s.143 basis prescribed by the Pension Protection Fund ("PPF") that was in force as at 1 April 2019.

Appointing the auditor

Safeguards on non-audit services

Haysmacintyre LLP 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.

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.

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.

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-period announcement. The Chairmen are available to shareholders at any time to discuss strategy and governance matters.

AUDIT AND INTERNAL CONTROL

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.

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.
- 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 via a robust risk assessment, 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.

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 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 as set out in the basis of preparation in the account policies of these financial statements, which have been prepared on a basis other than going concern. After assessing the long term viability the Directors are considering the short term strategies in relation to BPE. This is set out in the strategic report and elsewhere in the financial statements.

Beyond this, the longer term plan for the company is that once these matters have been satisfactorily concluded, the company will consider pursuing other potential opportunities that may become available to it. Such opportunities are not yet quantifiable. Therefore, the Directors do not consider it appropriate to consider the long term viability until such time that the above matters have been satisfactorily resolved. The Board believe that assessing the longer-term viability of any company at this stage of the strategy implementation is inevitably a challenge given the volatility in markets.

Following this assessment, the Board have concluded, based on the budgets produced and the financial position of the Group, that there is uncertainty that the subsidiary BPE does not have adequate resources to continue to operate and meet its liabilities as they fall due.

In assessing the prospects of the Group, the directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty. The Board of ABE have secured sufficient funding for continuation of the listed entity, which is only subject to ABE being a listed entity.

The Directors have considered the preparation of the financial statements and, after discussions with the Trustees of the Pension Fund and discussions as to how to meet that liability and having taken advice, have come to the conclusion that it is inappropriate to prepare them on a going concern basis.

ASSOCIATED BRITISH ENGINEERING PLC

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

GOING CONCERN

There have been changes to accounting policies in the period to reflect the change in the preparation of the financial statements. Furthermore, after making enquiries and considering this uncertainty and the measures that can be taken to mitigate the uncertainty, the Directors consider it inappropriate to prepare the financial statements on a going concern basis. Therefore, the Directors have prepared these financial statements on a basis other than going concern (Please see the going concern statement on page 5).

On behalf of the Board

C Weinberg

Director

Date 13 August 2019

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies (accounts and Reports) (Amendment) Regulations 2014 in respect of the period ended 31 March 2019. 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 LLP, 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 directors each receive a fee for their services, which is agreed by the Remuneration Committee after reviewing comparable organisations and appointments. None of the 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)

	2019	2018
	Total	Total
	£'000	£'000
Mr R Pearce Gould	10	10
Mr C Weinberg	20	20
	30	30

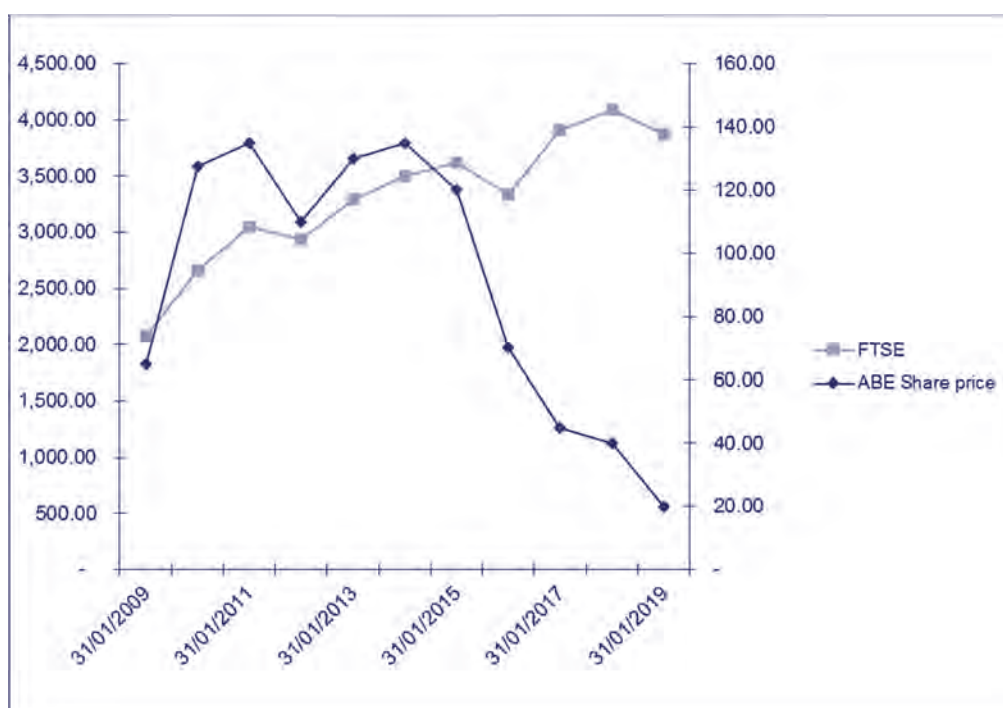
The amounts above all relate to directors fees and represent the total remuneration of the company's directors but excludes fees of £27,000 for consultancy fees (2018: £27,000) paid by a subsidiary to Cambridge Management Consultants Limited, a company related to Mr Pearce Gould.

This section of the report is subject to approval by a simple majority of shareholders at the AGM in or around September 2019, as in previous periods.

Statement of Voting at the Annual General Meeting (AGM)

The 2018 Remuneration Report was presented to the AGM in September 2018 and received shareholder approval following a vote on a show of hands. 0.55% of the votes cast on the proxy forms were against the Report and no votes were withheld. The proxy forms returned contained no explanation for the votes against the resolution.

Total Shareholder Return (TSR)



Source: Yahoo UK finance

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS' REMUNERATION REPORT

The graph on page 64 shows the Company's TSR performance compared to the FTSE All Share index over the past ten 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 3.

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 56 to 64 form part of the Directors' report.

On behalf of the Board

C Weinberg

Director

Date 13 August 2019

ASSOCIATED BRITISH ENGINEERING PLC

DIRECTORS AND ADVISERS

The Board comprises two directors:

COLIN WEINBERG (70) 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 (68), 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.

SECRETARY & REGISTERED OFFICE

Woodberry Secretarial Limited
Winnington House 2 Woodberry Grove
North Finchley
London
N12 0DR
Registered No.110663
Tel No: 020 8492 6363

AUDITOR

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG
Tel No: 020 7969 5500

REGISTRARS

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

BANKERS

The Royal Bank of Scotland plc
5th Floor
Tay House
300 Bath Street
Glasgow
G2 4RS

CORPORATE ADVISERS

Beaumont Cornish Limited
2nd Floor
Bowman House
29 Wilson Street
London
EC2M 2SJ

SOLICITORS

Fladgate LLP
16 Great Queen Street
London
WC2B 5DG