Lymington Precision Engineers Co. Limited

Annual report and financial statements

Registered number 01543828

31 December 2019

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Company Information

The board of directors

Mr M J Barnes
Mr A J Bodenham
Mrs B Foyle

Registered office	59/61 High Street Rickmansworth Hertfordshire WD3 1RH
Auditor	KPMG LLP Gateway House Tollgate Chandlers Ford SO53 3TG United Kingdom
Bankers	Lloyds Bank PLC Ground Floor 10 Gresham Street London EC2V 7AE

Strategic report

The directors present their strategic report and financial statements for the year ended 31 December 2019.

Principal Activities and Review of the Business

The principal activity of the company was that of precision engineering.

The company's activities encompass nuclear, electronics, oil & gas and aerospace clients and its ability to produce highly engineered solutions, combined with excellent customer relations, gives an opportunity to expand operations into other high technology sectors.

The key performance indicators are set out in the table below:-

	Year ended 31 December 2019 £000's	Year ended 31 December 2018 £000's	**% Change**
Revenue	**28,299**	36,163	-22%
Gross profit	**5,727**	9,413	-39%
Gross profit margin (%)	**20.2%**	26.0%	-22%
Profit/(Loss) before tax	**1,624**	3,059	-47%

The company maintained its continual investment in people and equipment. The company's investment in the Enterprise Resource Management (ERP) system, has enabled the company to better understand costs, increase customer service levels and maintain a good control environment. These systems continue to be developed following the upgraded to IFS Apps 9 in 2018.

The company monitors its trade debtors and creditors on a monthly basis. The company also reports its cash position on a weekly cycle and projects the cash requirement forward for three months. The company has an ongoing programme of visiting its suppliers and sourcing new suppliers to ensure that it is not reliant on a single source of supply.

Financial instruments

The company holds financial instruments in order to achieve three main objectives, being:
(a) to finance its operations;
(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
(c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Principle Risks and Uncertainties
The company monitors credit risk closely and considers that its current policy of credit checks meets its objectives of managing exposure to credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

The company has a significant concentrations of trading risk in n one sector, Oil & Gas. Current events have resulted in a reduced demand, but we expect this to normalise by late 2020, early 2021.

Pricing policies are reviewed regularly and where appropriate, sales are covered with inflation clauses, to protect the company, in the event that raw material price increases. The Directors have extensively reviewed liquidity and cash flow risks and conclude that adequate safeguards are in place, in the normal run of business.

By order of the board

M Barnes
Director

August 7th, 2020

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2019.

Directors

The directors who held office during the year were as follows:

Mr M J Barnes
Mr A J Bodenham
Mrs B Foyle

Political and charitable contributions

During the year the company made the following charitable contributions:

	31 December 2019 £	31 December 2018 £
Education	**300**	300
Health	**150**	6,700
Local community and other	**980**	400
	1,430	7,400

Research and development activities
The group is committed to research and development activities in order to secure its position in the market.

Policy on payment of creditors
The group's current policy concerning the payment of trade creditors is to:
• settle the terms of payment with suppliers when agreeing the terms of each transaction;
• ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
• pay in accordance with the company's contractual and other legal obligations.

Employees
The Company recognises the benefits of keeping employees informed of the progress of the business. During the year the employees were regularly provided with information regarding the financial and economic factors affecting the performance of the Company and on other matters of concern to them as employees, through half-yearly meetings that all employees attended. These meetings allow communication of the views of employees to be taken into account in making decisions which are likely to affect their interests.

The Company's policy with regard to the employment of disabled persons is that equal consideration is given to all applications from both able and disabled persons, subject only to the overriding consideration of safety. The special needs of disabled employees for training and advancement are kept under review.

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 16 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through support from its ultimate parent company, Senior plc, to meet its liabilities as they fall due for that period.

Directors' report *(continued)*

Those forecasts are dependent on Senior plc providing additional financial support during that period. Senior plc has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Post balance sheet events
The COVID 19 pandemic will affect the company's supply chain and the timing of customer deliveries. The full extent of this will not be known until at least the middle of May. In addition, the low oil price will affect customer demand and we are currently negotiating with our major customer in the sector, to minimise the effect in 2020.

SECTION 172 (1) STATEMENT
The Company is a subsidiary of Senior plc, the Company's ultimate parent. Senior plc's section 172 statement applies to the Company to the extent it relates to the Company's activities. Common policies and practices are applied throughout the Group via divisional management teams and a common governance framework. The following disclosure describes how the Directors of the Company have had regard to the matters set out in section 172(1a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Further details of the Group approach to each stakeholder are provided in Senior plc's section 172 statement which can be found on page 20 of Senior plc's Annual Report and Accounts 2019.

The Directors continue to have regard to the interests of the Company's employees and other stakeholders when making decisions and are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act.

The long term strategic direction of the Company is set in accordance with the strategic priorities of the Group, particularly to focus on outgrowing our end markets and introduce a high performance operating system. Since 2015, we have achieved a number of goals to underpin this strategy such as upgrading our IFS ERP system, utilising group wide key performance indicators to focus on performance, growth, operational excellence and talent development and the successful rollout of "Learn" a Learning Management System.

The Company engages with six key stakeholders; its parent, suppliers, employees, communities and other Group companies. The company benefits from a cash pooling arrangement with Senior UK Group which ensures that sufficient funds are available for ongoing operations and future developments. Dialogue between them is facilitated by having some of the same Directors, which ensures Strategic direction from the Group is aligned. Company board meetings and resolutions ensure that funding relationships with other Group companies are aligned.

Brexit
The business has no exposure to European customers and consider that the only risk to future business, as a result of Brexit, in whatever form, is an increase in the price of raw materials, originally sourced from the EU. Over time, such a risk can be offset through alternative sourcing and re-quotation of parts to customers.

Results and dividend

The profit for the year, after taxation, amounted to £1,493,000 *(2018:* £2,975,000). There were no dividends declared and paid in year (2018: £Nil).

Auditor
KPMG LLP have indicated their willingness to continue as auditor. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken

Directors' report *(continued)*

all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

M Barnes
Director

August 7h, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 company and of the profit or loss of the company 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYMINGTON PRECISION ENGINEERS CO. LIMITED

Opinion

We have audited the financial statements of Lymington Precision Engineers Co. Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 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 the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

C. J. Griffiths

Caroline Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

Date: 7 August 2020

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	2	**28,299**	36,163
Cost of sales		**(22,572)**	(26,750)
Gross profit		**5,727**	9,413
Administrative expenses	3	**(4,093)**	(6,352)
Operating profit		**1,634**	3,061
Other interest receivable and similar income	6	**61**	9
Interest payable and similar expenses	7	**(71)**	(11)
Profit before taxation		**1,624**	3,059
Tax charge	8	**(131)**	(84)
Profit for the financial year		**1,493**	2,975

The results of the current period all relate to continuing activities.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes from pages 14 to 27 form a part of these financial statements.

Balance Sheet
At 31 December 2019

	Note	31 December 2019		31 December 2018	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		3,166		3,645
Intangible assets	10		222		227
Right-Of-Use assets	11		4,221		-
Current assets					
Inventories	12	6,259		3,048	
Debtors (including £4m due after more than one year)	13	9,359		8,402	
Cash at bank and in hand		-		-	
		15,618		11,450	
Creditors: amounts falling due within one year	14	(9,641)		(5,990)	
Net current assets			5,977		5,460
Total assets less current liabilities			13,586		9,332
Creditors: amounts falling due after more than one year	15		(3,219)		(338)
Net assets			10,367		8,994
Capital and reserves					
Called up share capital	17		-		-
Profit and loss account			10,367		8,994
Shareholders' funds			10,367		8,994

These financial statements were approved by the board of directors on August 7th, 2020 and were signed on its behalf by:

M Barnes
Director
August 7th, 2020

Company registered number: 01543828
The notes from pages 14 to 27 form a part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Called up share capital	Profit & Loss account	Total equity
	£'000	£'000	£'000
Balance at 01 Jan 2019	-	8,994	8,994
Profit for the financial year	-	1,493	1,493
IFRS16 deferred tax opening balance adjustment	-	(120)	(120)
Balance at 31 December 2019	-	10,367	10,367

	Called up share capital	Profit & Loss account	Total equity
	£'000	£'000	£'000
Balance at 01 Jan 2018	-	6,019	6,019
Profit for the financial year	-	2,975	2,975
Dividends paid	-	-	-
Balance at 31 December 2018	-	8,994	8,994

The notes from pages 14 to 27 form a part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Lymington Precision Engineers Co. Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Senior Plc includes the Company in its consolidated financial statements. The consolidated financial statements of Senior Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in Note 18.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Senior Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The amount of material estimations to the Company or financial information are limited, however key areas are:

<u>Stock</u>
Although LPE makes to customer order only, the need for some spare product in the production process can lead to excess stock. This excess stock is provisioned against according to future demand; all items not having an associated customer order, are provided against 100%. The only other possible outcome is that these goods are ordered by a customer in the future, in which case the provision will be written back to the profit and loss account. Stock write offs have been disclosed in Note 11.

<u>Warranty, Quality & Late Delivery</u>

Provisions against possible claims have been maintained at historic levels and are in accordance with managements' best estimates.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 16 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through support from its ultimate parent company, Senior plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Senior plc providing additional financial support during that period. Senior plc has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.2 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

1.4 *Leased Assets*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The assessment of control includes whether the Company has a right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and the right to direct the use of the asset. As a lessee, the Company recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or restore the underlying asset, less any lease incentives received.

Lease payments comprise fixed payments and variable lease payments based on an index or rate. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term includes optional extensions or terminations which are reasonably certain to be exercised by the Company. These optional terms are reassessed periodically. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment.

Periodically the right-of-use asset is reduced for impairment, if necessary, as well as re-measurements of the lease liability. The lease liability is measured at amortised cost using the effective interest method, which is initially equal to the present value of lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate determined on a lease portfolio basis. The lease liability is re-measured either as a modification or reassessment. Modification occurs where there is a change in terms, such as rental payments, which did not form part of the original terms of the contract. In this case, the lease liability is re-measured using the revised terms and a revised incremental borrowing rate at the modification date. Reassessment occurs where there are changes within the scope of the original terms of the contract, such as rental payments changes with reference to an index. For reassessment changes, the lease liability is re-measured in the same way as for a modification, except for the incremental borrowing rate, which is not changed from the original commencement date of the contract.

Notes *(continued)*

1 Accounting policies *(continued)*

Effective for the year beginning 1st January 2019, IFRS16 Leases replaced IAS 17 Leases and requires the lessees to recognise Right-of-use assets and lease liabilities for all leases (be they operating or financing leases in classification under IAS17), with optional application for those leases with a term of 12 months or less there the underlying asset value is low.

The Company has performed the required assessment of its cumulative adjustment on transition to IFRS 16 with effect from 1st January 2019 and applied the standard from the transitional date using the modified retrospective approach and not restating comparatives. As at 1st January 2019, excluding the opening balances of the assets, previously shown as Fixed, brought forward of £573,170 right of use assets and £170,570 lease liabilities, the Company's audited right of use assets were £4,364,386, lease liabilities were £4,193,294.

The undisclosed cash flows at transition are as follows, Operating Lease commitments under IAS 17, at January 1st, 2019, were £4,739k, minus the effect of discounting cash flows £546k and adding finance leases recognised under IAS 17 of £171k, gives a total of £4,364k.

1.5 Tangible fixed assets

Depreciation is charged to the profit and loss account on over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	Straight line over 10 years or over the remaining life of the lease, whichever is shorter
Plant and machinery	Straight line over 5-10 years, depending on asset
Fixtures, fittings and equipment	Straight line over 2 years for computer equipment or 5 years for office equipment
Motor vehicles	Straight line over 3 years

1.6 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Provision for stock is made when it is expected that the net realisable value is below the carrying value.

1.8 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes *(continued)*

1 Accounting policies *(continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding

of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.9 Impairment excluding stocks, and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.11 Revenue

The revenue shown in the profit and loss account represents goods and services sold in the year, exclusive of Value Added Tax. Revenue is recognised where goods have been dispatched from the company's premises, as the invoice terms are ex-works.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. The Finance Bill 2020 provide the main rate of corporation tax to remain at 19% for financial year beginning 1 April 2020.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Share based payment transactions

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled.

The share save scheme allows employees to acquire shares in Senior plc, the company's ultimate parent company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity in the ultimate parent company's accounts. The fair value is measured at grant date and spread over the period during which

Accounting policies *(continued)*

the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. A charge of £40k (period ended December 18 £31k) from Senior Plc is recognised in the P&L account within this Company.

2 Revenue

	2019 £'000	2018 £'000
United Kingdom	**25,135**	32,382
Rest of World	**3,164**	3,781
Total revenue	**28,299**	36,163

3 Expenses and auditor's remuneration

Included in profit are the following:

	2019 £000	2018 £000
Depreciation and other amounts written off tangible fixed assets		
Owned	**700**	**443**
Leased	**792**	**279**
(Profit) / Loss on disposal of fixed assets	**(4)**	-
Amortisation of intangible fixed assets	**109**	**39**
Operating leases/ rental:		
Property	-	**639**
Other	-	**150**
Foreign Exchange Loss	**9**	**7**

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	**24**	22
Amounts receivable by the company's auditor and its associates in respect of:		
Other services related to tax		5
Other services	-	-

Notes ***(continued)***

Note the increase in depreciation under Leased assets is due to the introduction of IFRS16 which has changed how lease costs are recorded.

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Productive Staff	**150**	148
Administrative staff	**34**	38
	184	186

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**7,460**	7,277
Social security costs	**772**	784
Other pension costs	**367**	359
	8,599	8,420

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	**288**	279
Company contributions to money purchase pension plans	**30**	24
	318	303

The aggregate of emoluments in the period of the highest paid director was £318,000 *(2018:* £303,000*)*, and Company pension contributions of £30,000 *(2018:* £24,000*)* were made to a money purchase scheme on his behalf.

Directors, Bindi Foyle and A. J Bodenham, were not remunerated by the Company for their services. They are paid by another entity within the Group and it is not considered practicable to split their services between entities.

Notes *(continued)*

6 Other interest receivable and similar income

	2019 £000	2018 £000
Total other interest receivable	**61**	9

7 Interest payable and similar charges

	2019 £000	2018 £000
Finance charges	**71**	11
Other similar charges payable	**-**	-
Total interest payable and similar charges	**71**	11

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	2019	2018
	£'000	£'000
UK corporation tax		
Adjustments in respect of prior periods	**306**	3
Total current tax charge	**306**	3
Deferred tax (see note 15)		
Origination and reversal of temporary differences	**(111)**	103
Adjustment in respect of prior period	**(64)**	(22)
Total deferred tax (credit)/charge	**(175)**	81
Total tax charge	**131**	84

Reconciliation of effective tax rate

	2019	2018
	£'000	£'000
Profit before tax	**1,624**	3,059
Expected tax charge at 19% (2018: 19%)	**308**	581
Effects of :		
Fixed asset differences	-	95
Expenses not deductible for tax purposes	-	3
Non-taxable items	**(115)**	-
Group relief for nil consideration	**(304)**	(573)
Adjustments to tax charge in respect of previous periods	**242**	(22)
Total tax charge	**131**	84

Notes *(continued)*

9 Tangible fixed assets

	Land and buildings £'000	Plant and equipment £'000	Fixtures & fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
Balance at 31 December 2018	1,129	17,946	581	35	19,691
Additions	59	695	50	-	804
Disposals	-	(946)	(1)	-	(947)
Transfer to IFRS 16 Assets	-	(986)	-	-	(986)
Balance at 31 December 2019	1,188	16,709	630	35	18,562
Depreciation and impairment					
At 31 December 2018	764	14,760	487	35	16,046
Depreciation charge for the year	78	565	57	-	700
Disposals	0	(937)	-	-	(937)
Transfer to IFRS 16 Assets		(413)			(413)
At 31 December 2019	842	13,975	544	35	15,396
Net book value					
At 31 December 2018	365	3,186	94	-	3,645
At 31 December 2019	**346**	**2,734**	**86**	**-**	**3,166**

Notes *(continued)*

9 Intangible fixed assets

	31 December 2019 Software £'000
Cost	
Balance at 31 December 2018	868
Additions	104
Balance at 31 December 2019	972
Amortisation and impairment	
At 31 December 2018	641
Amortisation charge for the year	109
Disposals	
At 31 December 2019	**750**
Net book value	
At 31 December 2018	227
At 31 December 2019	**222**

Notes *(continued)*

11 Leases

The Company has adopted the following IFRS's in these financial statements:
IFRS16: Leases. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS17.

	P&M ROU	L&B ROU	Vehicles ROU	Office P&M	Other ROU	RoU
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Cost Jan 2019	986	4,195	154	-	16	5,351
Additions	-	-	-	82	-	82
Disposals	-	-	(11)	-	-	(11)
Closing Cost	986	4,195	143	82	16	5,422
Opening Dep Jan 2019	413	-	-	-	-	413
Dep'n in Year	98	611	68	5	10	792
Disposals	-	-	(4)	-	-	(4)
Closing Dep'n	511	611	64	5	9	1,201
Opening NBV Jan 2019	573	4,195	154	-	16	5,009
Closing NBV Dec 2019	475	3,584	79	77	6	4,221

2019 – Leases under IFRS16

	£'000
Interest expense on lease liabilities	71
Expenses relating to variable lease payments not included in the measurement of lease liabilities (losses/gains from sale and leaseback transactions)	12

2018 – Operating Leases under IAS 17

	£'000
Lease Expense	789

2019 - operating lease under IFRS 16

	£'000
Less than one year	725
One to two years	665
Two to three years	645
Three to four years	640
Four to five years	640
More than five years	661
Total	3,976

2018 - operating lease under IAS 17

Less than one year	874
One to two years	707
Two to five years	1,955
More than five years	1,203
Total	4,739

Notes *(continued)*

12 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	**573**	512
Work in progress	**4,216**	2,107
Finished goods	**2,946**	2,741
Provision	**(1,476)**	(2,312)
	6,259	3,048

For the year ended 31 December 2019, £7,381K was charged through cost of sales (31 December 2018: £9,441K)

For the year ended 31 December 2019, £836K was written off through the P&L (31 December 2018: £727K)

13 Debtors

	2019 £'000	2018 £'000
Trade debtors	**4,614**	3,683
Amounts owed by group undertakings	**4,066**	4,006
Prepayments	**464**	410
Corporation tax	**166**	303
Deferred tax asset	**49**	-
	9,359	8,402

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Hire purchase agreements	**-**	159
Bank overdraft	**3,535**	198
Trade creditors	**3,134**	2,045
Lease Liabilities	**707**	-
Deferred tax	**-**	6
Other taxation and social security	**513**	871
Accruals	**1,752**	2,711
	9,641	5,990

HP Agreements are now under the IFRS16 Right of Use Leases schedule.

The Company is part of a banking group with other Group companies under which the cash held by one entity in the Group can be offset against overdrafts in another Group company. The total overdraft limit across the Group under this facility is £20m.

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Accruals	**269**	326
Lease Liabilities	**2,950**	12
	3,219	338

Lease payments are all due in less than 5 years.

16 Deferred Taxation

	2019	2018
	£'000	£'000
Opening balance	6	(75)
IFRS16 opening balance adjustment	120	-
(Credit)/ Charge to the P&L	(175)	81
Deferred tax (asset)/liability	(49)	6

The deferred tax liability is shown within Creditors (Note 13) and relates to timing differences between tax and accounting written down values of fixed assets.

17 Capital and reserves

Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £ 1each	**100**	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18 Ultimate parent company and controlling company

The Company immediate parent company is Lymington Precision Engineering (LPE) Limited which owns the entire issued share capital of the company.

The ultimate parent company, and the smallest and largest Group in which these results are consolidated, is Senior Plc, a company registered in England & Wales. The accounts of Senior Plc are available to the public and can be obtained from 59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH.