Lymington Precision Engineers Co. Limited

Annual report and financial statements

Registered number 01543828

31 December 2020

Contents

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
Banker	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 2020.

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 2020 £000's	Year Ended 31 December 2019 £000's	**% Change**
Revenue	**23,091**	28,299	-18.4%
Gross profit	**4,206**	5,727	-26.6%
Gross profit margin (%)	**18.2%**	20.2%	-10.0%
(Loss)/Profit before tax	**(1,252)**	1,624	-177.1%

The year saw a downturn in revenue and profit due to the effect of the global pandemic and a decrease in the demand for oil and gas.

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.

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.

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 one sector, Oil & Gas. Current events have resulted in a reduced demand, but we expect this to normalise in the second half of 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

29th April 2021

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2020.

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 2020	31 December 2019
	£	**£**
Education	**0**	300
Health	**0**	150
Local community and other	**240**	980
	240	1,430

Research and development activities
The group is committed to research and development activities in order to secure its position in the market. To this end during 2020 we continued to incur expenditure on a variety of research and development projects with the aim of promoting innovation and process improvement.

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 performed a going concern assessment for a period of at least 12 months from the date of approval of these Financial Statements which indicate that, taking account of reasonably possible downsides, the

Directors' report *(continued)*

Company will have sufficient funds, through funding 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.

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 2020.

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 loss for the year, amounted to £957,790 (2019: £1,493,000 profit). There were no dividends declared and paid in year (2019: £Nil).

Directors' report *(continued)*

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 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

29th April 2021

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 2020 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 2020 and of its loss 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading relevant meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- Selecting a sample of revenue items recognised around period end to assess if these were recognised in the correct accounting period.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue with an unexpected opposite entry.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

Date: 29th April 2021

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	*2*	**23,091**	28,299
Cost of sales		**(18,885)**	(22,572)
Gross profit		**4,206**	5,727
Administrative expenses	*3*	**(5,430)**	(4,093)
Operating (Loss) / Profit		**(1,224)**	1,634
Other interest receivable and similar income	*6*	**32**	61
Interest payable and similar expenses	*7*	**(60)**	(71)
(Loss) / Profit before taxation		**(1,252)**	1,624
Tax credit / (charge)	*8*	**294**	(131)
(Loss) / Profit for the financial year and total comprehensive income		**(958)**	1,493

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 15 to 28 form a part of these financial statements.

Balance Sheet
At 31 December 2020

	Note	**31 December 2020**		31 December 2019	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Tangible assets	*9*		**2,960**		3,166
Intangible assets	*10*		**107**		222
Right-Of-Use assets	*11*		**3,526**		4,221
			6,593		7,609
Current assets					
Inventories	*12*	**4,904**		6,259	
Debtors (including £4m due after more than one year 2019: £4m)	*13*	**4,339**		9,359	
Cash at bank and in hand		**644**		-	
		9,887		15,618	
Creditors: amounts falling due within one year	*14*	**(4,465)**		(9,641)	
Net current assets			**5,422**		5,977
Total assets less current liabilities			**12,015**		13,586
Creditors: amounts falling due after more one year	*15*		**(2,606)**		(3,219)
Net assets			**9,409**		10,367
Capital and reserves					
Called up share capital	*17*		**-**		-
Profit and loss account			**9,409**		10,367
Equity Shareholders' funds			**9,409**		10,367

These financial statements were approved by the board of directors on April 29th 2021 and were signed on its behalf by:

M Barnes
Director
29th April 2021
Company registered number: 01543828
The notes from pages 15 to 28 form a part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2020

	Called up share capital	Profit & Loss account	Total equity
	£'000	£'000	£'000
Balance at 01 Jan 2020	-	10,367	10,367
Profit for the financial year	-	(958)	(958)
Balance at 31 December 2020	-	9,409	9,409

	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

The notes from pages 15 to 28 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 stock and warranty, quality & late delivery provisions. These are laid out in the accounting policies below.

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 performed a going concern assessment for a period of at least 12 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 funding 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.

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

Notes *(continued)*

1 Accounting policies *(continued)*

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.

1.5 Internally generated intangible assets – development expenditure

An intangible asset arising from unfunded development work shall be recognised if the following can be demonstrated:

i) the asset can be separately identified.
ii) it is probable that the asset created will generate future economic benefits.
iii) the development cost of the asset can be measured reliably during its development.
iv) it is technically feasible to complete the asset so that it will be available for use or sale.
v) there is intention to complete the asset and use or sell it.
vi) the Company has ability to use or sell the asset.
vii) the Company has availability of adequate technical, financial and other resources to complete the development work and to use or sell the asset.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives.
Costs incurred in relation to funded development work are accumulated in inventory and are recognised when the related billings are made. Any amounts held in inventory are subject to normal inventory valuation principles.
Expenditure on research, design and other development activities, that do not meet the capitalisation criteria above, is recognised as an expense in the period in which it is incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Inventory

Inventory is 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 inventory, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventory and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Provision for inventory is made when it is expected that the net realisable value is below the carrying value. Although LPE makes to customer order only, the need for some spare product in the production process can lead to excess inventory. This excess inventory 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.

1.7 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.

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.

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").

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 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.

Warranty, Quality & Late Delivery
Provisions against possible claims have been maintained at historic levels and are in accordance with managements' best estimates.

1.9 Revenue

The Company predominantly has one revenue stream relating to engineered components or systems (products), which are customer specific, with a secondary revenue stream of funded development revenue. Both streams have identifiable customer contracts and pricing specific performance obligations.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognised net of discounts, VAT and other sales related taxes. The determination of the transaction price is based upon pricing specified in the customer contract i.e. a price per unit.

Revenue is recognised as the identified performance obligations are satisfied. The performance obligation for goods is a specific point in time when the customer obtains control, which is upon delivery or when available for collection. Allocation of transaction price to performance obligations is given in the contract i.e. a unit delivered or available for collection.

The performance obligation for development revenue is a specific point in time when the customer obtains control of the output, for example a first article good, which is the acceptance milestone specified in the customer contract.

1.10 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.

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.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016 and UK deferred tax assets at 31 December 2019 had been calculated based on that rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantially enacted on 17 March 2020. A future increase in rate from 19% to 25% (effective 1 April 2023) was announced on 3 March 2021 and is not substantially enacted at the Balance Sheet date. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset by £0.1m.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

1.11 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 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 £19k (period ended December 19 £40k) from Senior Plc is recognised in the P&L account within this Company.

Notes *(continued)*

2 Revenue

The Company's revenue was wholly attributable to the Company's principal activities. The detailed analysis of destination revenue by geographical area is given below:

	2020 £'000	2019 £'000
United Kingdom	**20,808**	25,135
Rest of World	**2,283**	3,164
Total revenue	**23,091**	28,299

3 Expenses and auditor's remuneration

Included in profit are the following:

	2020 £'000	2019 £'000
Deprecation and other amounts written off tangible fixed assets		
Owned	**713**	700
Leased	**821**	792
(Profit) / Loss on disposal of fixed assets	**26**	(4)
Amortisation of intangible fixed assets	**121**	109
Foreign Exchange Loss	**7**	9

Auditor's remuneration

	2020 £'000	2019 £'000
Audit of these financial statements	**24**	24

Notes *(continued)*

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
	2020	2019
Productive Staff	**132**	150
Administrative Staff	**17**	34
	149	184

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	**6,505**	7,460
Social security costs	**632**	772
Other pension costs	**351**	367
	7,488	8,599

5 Directors' remuneration

	2020	2019
	£'000	£'000
Directors' remuneration	**200**	288
Company contributions to money purchase pension plans	**23**	30
	223	318

The aggregate of emoluments in the period of the highest paid director was £223,000 (2019: £318,000), and Company pension contributions of £23,000 (2019: £30,000) 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

	2020 £'000	2019 £'000
Total other interest receivable	32	61
	32	61

7 Interest payable

	2020 £'000	2019 £'000
Finance charges	60	71

8 Taxation

Recognised in the profit and loss account

	2020 £'000	2019 £'000
UK corporation tax		
Adjustments in respect of prior periods	55	306
Total current tax charge	55	306
Deferred tax (see note 16)		
Origination and reversal of temporary differences	(115)	(111)
Adjustment in respect of prior period	(234)	(64)
Total deferred tax (credit)	(349)	(175)
Total tax (credit) / charge	(294)	131

Reconciliation of effective tax rate

	2020 £'000	2019 £'000
(Loss) / Profit before tax	(1,252)	1624
Expected tax (credit) / charge at 19% (2019: 19%)	(238)	308
Effects of :		
Non-taxable items	-	(115)
Loss surrender/Group relief (claimed) for nil consideration	60	(304)
Other permanent items	27	-
Effect of changes in UK rate on deferred tax items	36	-
Adjustments to tax charge in respect of previous periods	(179)	242
Total tax (credit) / charge	(294)	131

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 2019	1,188	16,709	630	35	18,562
Additions	77	425	18	14	534
Disposals	(41)	(188)	(236)	0	(465)
Balance at 31 December 2020	1,224	16,946	412	49	18,631
Depreciation and impairment					
At 31 December 2019	842	13,975	544	35	15,396
Depreciation charge for the year	91	568	54	1	714
Disposals	(41)	(162)	(236)	0	(439)
At 31 December 2020	892	14,381	362	36	15,671
Net book value					
At 31 December 2019	346	2,735	86	0	3,166
At 31 December 2020	332	2,565	49	14	2,960

Notes *(continued)*

10 Intangible fixed assets

	Software £'000
Cost	
Balance at 31 December 2019	972
Additions	6
Disposals	(476)
Balance at 31 December 2020	502
Amortisation and impairment	
At 31 December 2019	750
Amortisation charge for the year	121
Disposals	(476)
At 31 December 2020	395
Net book value	
At 31 December 2019	222
At 31 December 2020	**107**

Notes *(continued)*

11 Right-of-use assets

	P&M ROU £'000	L&B ROU £'000	Vehicles ROU £'000	Office P&M £'000	Other ROU £'000	Total RoU £'000
Cost						
Balance at 31 December 2019	986	4,195	143	82	16	5,422
Additions	-	-	78	58	82	218
Disposals	-	-	(95)	(82)	(16)	(193)
Balance at 31 December 2020	986	4,195	126	58	82	5,447
Depreciation and impairment						
At 31 December 2019	511	611	64	5	10	1,201
Dep'n in Year	99	611	51	29	31	821
Disposals			(59)	(27)	(15)	(101)
At 31 December 2020	610	1,222	56	7	26	1,921
Net book value						
Opening NBV Jan 2020	475	3,584	79	77	6	4,221
Closing NBV Dec 2020	376	2,973	70	51	56	3,526

12 Inventories

	2020 **£'000**	2019 £'000
Raw materials and consumables	395	573
Work in progress	3,545	4,216
Finished goods	2,173	2,946
Provision	(1,209)	(1,476)
	4,904	6,259

13 Debtors

	2020 **£'000**	2019 £'000
Trade debtors	2,361	4,614
Amounts owed by group undertakings	1,198	4,066
Prepayments	382	464
Corporation tax	-	166
Deferred tax asset	398	49
	4,339	9,359

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank overdraft	-	3,535
Trade creditors	1,241	3,134
Lease liabilities	737	707
Other taxation and social security	763	513
Accruals	1,251	1,282
Provisions (Note 17)	473	470
	4,465	9,641

15 Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Accruals	285	269
Lease liabilities	2,321	2,950
	2,606	3,219

16 Deferred Taxation

	2020	2019
	£'000	£'000
Opening balance	49	(6)
IFRS16 opening balance adjustment	-	(120)
Credit to the P&L	349	175
Deferred tax asset / (liability)	398	49

17 Other Provisions

	Restructuring provision	Other provisions	Total provisions
	£'000	£'000	£'000
Balance at 31 December 2019	90	380	470
Increase in provision	302	-	302
Release of provision	(225)	(74)	(299)
Balance at 31 December 2020	167	306	473

Notes *(continued)*

18 Capital and reserves

Share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	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.

19 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.