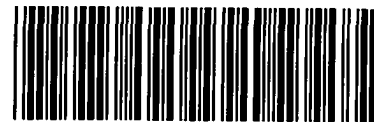


Company Registration No. 02151516 (England and Wales)

ABACO SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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ABACO SYSTEMS LIMITED

COMPANY INFORMATION

Directors	B P Wilson B Wileman
Secretary	L Carino
Company number	02151516
Registered office	2 New Star Road Leicester LE4 9JD
Auditor	Ernst & Young LLP No 1 Colmore Square Birmingham B4 6HQ
Business address	Tove Valley Business Park Towcester Northamptonshire NN12 6PF

ABACO SYSTEMS LIMITED

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ABACO SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

The company's key financial indicators for the year were as follows:

	2022	2021	Change
	£'000	£'000	%
Turnover	61,858	87,226	(29.08)
Gross profit	25,111	40,611	(38.17)
Gross profit as a % of sales	40.59%	46.56%	
Net current assets	76,661	70,444	8.83
Total equity	103,891	100,693	3.18

Fair review of the business

The company's turnover is £61,858,000 for the year ended 31 December 2022 (2021: £87,226,000) generating operating profit of £3,389,000 (2021: £9,551,000) and profit before tax of £3,383,000 (2021: £10,871,000).

World-wide shortages in electronics, specifically microchip products, adversely impacted revenue in 2022 as deliveries were constrained by component availability. In addition, talent shortages, particularly in technical disciplines, remain a risk and challenge in the defense and aerospace market. Despite these challenges and the short-term decline in revenues, the directors remain confident in the future outlook for the company.

In the US, President Biden signed the National Defense Authorization Act into law on December 23, 2022. This act approved the US 2023 defense budget and allotted \$816.7B to the Department of Defense. The act includes \$12.6B for inflation impacts on purchases. The act also authorises the full fiscal year 2023 budget request for the European Deterrence Initiative, extends and modifies the Ukraine Security Assistance Initiative, and authorises \$800M in 2023, an increase of \$500M above the initial budget request. The act also extends the Pacific Deterrence Initiative through the fiscal year and identifies approximately \$11.5B of investments in support of this initiative's objectives. Defense spending in all allied countries is expected to follow the US trend, and as such Abaco remains confident in the viability of its product offerings across programs in the industry.

Net assets are £103,515,000 at 31 December 2022 (2021: £100,693,000). The increase is attributable to an emphasis on procurement of inventory.

The directors regard continued investment in Research and Development as an essential factor in maintaining the company's competitive advantage and longevity. The company has prioritised technology investments while concurrently implementing strategic cost reduction efforts to maintain profitability. In the spite of the unprecedented market conditions, the directors look forward to continued profitability in 2023.

Principal risks and uncertainties

The company operates in a competitive global environment across academic, governmental and industrial sectors, all of which are subject to pricing pressures. Customers can switch to competitor products and service if they judge that the competitor product and service offers better value. The company focuses on improving the technical quality of products and services to maintain and improve our competitiveness.

The company does not have a natural hedge in the Euro and USD currencies and is therefore impacted by exchange rate fluctuations. It is AMETEK group policy not to actively hedge against foreign currency transactions and balances at subsidiary level.

ABACO SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Financial Instruments

The company's principal financial instruments comprise trade debtor, cash at bank, trade creditor and inter-company balances. The company does not enter into derivative transactions and it is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the company's financial instruments is foreign currency risk. The company has translational currency exposures arising from sales and purchases in foreign currencies. It is AMETEK Group policy not to hedge against foreign currency transactions and balances in subsidiary operations.

Liquidity risk

The company operates with a cash surplus and, if required, has access to support from its immediate parent company which also operates at cash surplus and has access to negotiated external facilities. Additionally, if necessary, the ultimate parent company has access to incremental support from its equity investors.

Foreign currency risk

The majority of the company's turnover for the year was denominated in US dollars and therefore the group is exposed to the movement in the US dollar to pound exchange rate. The company has not entered into any hedge transactions during the year.

Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowance for doubtful receivables, estimates by the company's management based on prior experience and their assessment of the current economic environment.

Policies are maintained to ensure the company makes sales to customers with an appropriate credit history. Letters of credit or other appropriate instruments are put in place to reduce credit risk where considered necessary.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Geopolitical uncertainties

US customers account for 44% (2021: 59%) of total sales by destination and sales are predominantly to OEM's in the US defence market, often working in long duration partnerships. This market is affected by the level of defence spending in what is the single largest market for defence equipment in the world. The majority of sales are made in US dollars and the group is therefore exposed to movements in the US dollar to pound sterling exchange rate.

ABACO SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

S172(1) statement

The Directors promote the success of the company for the benefit of the sole shareholder and that of the shareholders of its ultimate parent (AMETEK Inc) while taking into account, amongst other matters, the following:

- Long-term consequences – by preparing 5-year strategic plans as well as short term forecasts, all of which are discussed with and approved by Divisional and Group Management
- Interests of company employees – see statement headed "Employee Involvement" in the Directors' Report
- Relationships with suppliers, customers and others – by agreeing contracts and terms of trade with, rather than imposing on, our trading partners to ensure they are mutually beneficial.
- The impact on the community and the environment– see statement headed "Community & Environment" in the Directors' Report
- The desirability of maintaining a high reputation for standards of business conduct – including overseeing an annual reporting and certification process to ensure all relevant employees are aware of the high standards set in this regard and a mechanism to notify the company of any shortcomings, including a "whistle-blowing" hotline.

On behalf of the board

DocuSigned by:

Bruce Wilson

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B P Wilson

Director

27 September 2023

ABACO SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the design of digital equipment for sale, the design and manufacture of real-time data acquisition and analogue to digital conversion products for the embedded sensor processing market, the design and manufacture of image processors and video trackers for the embedded computing market and the surface-mount of electronic sub-systems.

Branches

The company has unincorporated branches in Canada, Korea and France.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B P Wilson

B Wileman

(Appointed 1 December 2022)

Results and dividends

The results for the year are set out on page 12.

The total distribution of dividends for the year ended 31 December 2022 was £nil (2021: £2,320,000).

On 2 August 2022 Abaco UK Holdco Limited transferred its entire shareholding in Abaco Systems Limited and its related subsidiary companies to Tubes Holdco Limited. The transfer was at fair market value of \$85,000,000. The financing was by the issuance of 1 £1 share at a premium.

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of the company's exposure to risk are described in the strategic report on page 1. As noted on pages 12 and 14 respectively, the Company has generated a profit after tax of £2,787,000 for the year-ended 31 December 2022 and has net current assets of £76,285,000 and net assets of £103,515,000 at this date.

Across the industry, executives are positive on their outlooks for 2023 and 2024, with optimism based on new technologies and innovation reaching production. Transformations in the market based on Artificial Intelligence (AI), robotics, and the Internet of Things (IoT) to optimize and augment military operations continue to accelerate. Conventional warfare shifts to hybrid approaches that include offensive cyber capabilities is also a trend that is manifesting. Other emerging technologies in connectivity / communications and increased lethality in missile and weapons technologies are driving new programs and expenditures, which will continue into 2024. As evidenced by current backlog and pipeline, demand for Abaco's products remains strong.

Overall industry trends, combined with Abaco's strong backlog position, are indicators of revenue recovery in 2023 and 2024. While short-term supply chain constraints are expected to remain for key components, Abaco's investment in inventories and robust industry growth give management confidence over the company's future outlook. 2023 YTD the company has achieved 51% growth in revenue compared to the same period in 2022.

As a result of lower revenue volume, management took decisive action in 2021 and 2022 to address business profitability. Multiple redundancy cycles, most recently in 2022, significantly reduced the cost profile of the company. In addition to headcount restructuring, the company also initiated several affordability actions to lower spend in IT, travel, CapEx and other SG&A areas.

ABACO SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have stress tested the forecasts for the remainder of 2023 and for 2024 noting the most significant factor impacting the cash inflows for the Company is the level of revenues being generated. These stress tests show that, without any management actions to mitigate costs, a fall in forecast revenues of more than one third would be required over 12 months from the date of approval of these financial statements for the Company to run out of liquid funds. This fall in revenues represents a significant reduction on forecast revenues for the next 12 months as well as a reduction on actual and forecast revenues for the year-ended 31 December 2023. However, the Directors would not tolerate such a fall in revenue without taking further measures to reduce costs in the business.

The company's ultimate parent, AMETEK Inc, has also performed favourably through the pandemic. The financial statements for AMETEK, Inc are publicly available at www.ametek.com.

On the basis of their assessment, including the factors detailed above, the directors have concluded it is appropriate for the company's 2022 financial statements to be prepared on a going concern basis.

Directors' insurance

AMETEK Inc. has indemnified all directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and remains in place to the date of this report.

Financial instruments

Details of financial instruments are set out in the Strategic Report on pages 1 to 3.

Research and development

The directors regard continued investment in Research and Development as an essential factor in maintaining the company's competitive advantage and longevity. Total research and development expenditure was £3,725,000 (2021: £1,888,000).

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is for the director's and senior management to consult and discuss with employees, using unions, staff councils and at meetings, matters likely to affect employees' interests. The directors are expected to attend and actively participate in these sessions, in turn also taking on board employee concerns and suggestions in a serious and professional manner. The directors are aware that it is a duty to consider employee interests and to promote these when it is in the interest of the company to do so.

Information about matters of concern to employees is given through information bulletins and reports, accessible by all employees through the company intranet, which seek to achieve a common awareness on the part of all employees of the financial, economic and social factors affecting the company's performance. The company also has incentives in place for all employees to encourage the rewarding of other employee successes and to also encourage making the workplace safer through raising health and safety concerns.

Auditor

Ernst & Young LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

ABACO SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Stakeholder Engagement

The directors are aware that harvesting good business relationships with all stakeholders of the company, including customers, suppliers and others, are important factors in the longevity and future successes of the company. These relationships are essential in gaining multi-year contracts and future orders, whilst also driving innovation into developing products to meet future requirements, this is proven through the company's approach to investment in research and development. The company has dedicated a team to the upkeep of this business development.


The company is passionate about living up to the company's commitments, ensuring good customer satisfaction by providing quality products and services that meet or exceed the requirements and expectations of customers. The continued improvement and innovation is based upon efficient business processes, well defined measurements, best practices and customer surveys. As a result, the company conducts annual Quality Management System audits to ensure our quality is not compromised and that we are working to the best practices and standards.

UK Streamlined Energy and Carbon Reporting (SECR)

The company has complied with the UK Streamlined Energy and Carbon Reporting (SECR) requirements along with other UK entities that are part of the UK organisational structure of AMETEK Inc. The relevant information is reported within the top UK holding company in the AMETEK Group, being AMETEK International Limited.

On behalf of
the board

DocuSigned by:



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B P Wilson

Director

27 September 2023

ABACO SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ABACO SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABACO SYSTEMS LIMITED

Opinion

We have audited the financial statements of Abaco Systems Limited for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes 1 to 28 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months through to 30 September 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

ABACO SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ABACO SYSTEMS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

ABACO SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ABACO SYSTEMS LIMITED

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including UK employment law.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a risk of management override associated with revenue and a fraud risk around revenue recognition, in particular the revenue recognition on open contracts at the year end and the revenue recognition on transactions at or near year end. We selected a sample of transactions at the year end to perform detailed testing, including understanding of the nature of the transactions, verifying that the margin is appropriate, and verifying the clerical accuracy of the revenue recognised. In relation to management override we incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition. We tested specific transactions back to source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations and to respond to the assessed risks. Our procedures included verifying that material transactions are recorded in compliance with FRS 102 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through our inquiry of management and those charged with governance together with review of Board of Directors meeting minutes and inspection of costs incurred by the Company.

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

ABACO SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ABACO SYSTEMS LIMITED

Use of our report

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.

**Stephen Kirk (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Birmingham**

Ernst & Young LLP

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Date: 28th September 2023

ABACO SYSTEMS LIMITED**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
Turnover	3	61,858	87,226
Cost of sales		(36,747)	(46,615)
Gross profit		25,111	40,611
Distribution costs		(8,019)	(13,037)
Administrative expenses		(14,115)	(18,383)
Other operating income		412	360
Operating profit	5	3,389	9,551
Interest receivable and similar income	8	-	1,320
Interest payable and similar expenses	9	(6)	-
Profit before taxation		3,383	10,871
Tax on profit	10	(596)	(2,375)
Profit for the financial year		2,787	8,496

The income statement has been prepared on the basis that all operations are continuing operations.

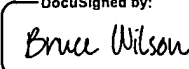
ABACO SYSTEMS LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	£'000	£'000
Profit for the year	2,787	8,496
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,787</u>	<u>8,496</u>

ABACO SYSTEMS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Goodwill	12		339		647
Other intangible assets	12		12,493		14,626
Total intangible assets			12,832		15,273
Tangible assets	13		15,906		16,943
Investments	14		2		12
			28,740		32,228
Current assets					
Stocks	15	37,750		24,986	
Debtors	16	64,358		57,823	
Cash at bank and in hand		2,416		1,131	
		104,524		83,940	
Creditors: amounts falling due within one year	17	(28,239)		(13,496)	
Net current assets			76,285		70,444
Total assets less current liabilities			105,025		102,672
Creditors: amounts falling due after more than one year	18		(472)		(89)
Provisions for liabilities	19		(1,038)		(1,890)
Net assets			103,515		100,693
Capital and reserves					
Called up share capital	22		4,783		4,783
Share premium account	24		30,993		30,993
Profit and loss reserves			67,739		64,917
Total equity			103,515		100,693

The financial statements were approved by the board of directors and authorised for issue on 27 September 2023 and are signed on its behalf by:

DocuSigned by:

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 B P Wilson
 Director

Company Registration No. 02151516

ABACO SYSTEMS LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2021		4,783	30,993	58,741	94,517
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	8,496	8,496
Dividends	11	-	-	(2,320)	(2,320)
Balance at 31 December 2021		4,783	30,993	64,917	100,693
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	2,787	2,787
Credit to equity for equity settled share-based payments		-	-	35	35
Balance at 31 December 2022		4,783	30,993	67,739	103,515

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Abaco Systems Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2 New Star Road, Leicester, LE4 9JD.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006. The financial statements were approved for issue on the date shown on the Statement of Financial Position.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- The requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
 - categories of financial instruments,
 - items of income, expenses, gains or losses relating to financial instruments and,
 - exposure to and management of financial risks
- share based payment disclosures, including:
 - a description of each type of share based payment arrangement that has existed and,
 - details of exercises and vests during the period
- related party transaction disclosures, including (i) transactions with wholly owned subsidiaries of the AMETEK Inc group and (ii) disclosures related to key management remuneration.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Abaco Systems Limited is a wholly owned subsidiary of AMETEK Inc and the results of Abaco Systems Limited are included in the consolidated financial statements of AMETEK Inc which are available from 2 New Star Road, Leicester, LE4 9JD.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of the company's exposure to risk are described in the strategic report on page 1. As noted on pages 12 and 14 respectively, the Company has generated a profit after tax of £2,787,000 for the year-ended 31 December 2022 and has net current assets of £76,285,000 and net assets of £103,515,000 at this date.

Across the industry, executives are positive on their outlooks for 2023 and 2024, with optimism based on new technologies and innovation reaching production. Transformations in the market based on Artificial Intelligence (AI), robotics, and the Internet of Things (IoT) to optimize and augment military operations continue to accelerate. Conventional warfare shifts to hybrid approaches that include offensive cyber capabilities is also a trend that is manifesting. Other emerging technologies in connectivity / communications and increased lethality in missile and weapons technologies are driving new programs and expenditures, which will continue into 2024. As evidenced by current backlog and pipeline, demand for Abaco's products remains strong.

Overall industry trends, combined with Abaco's strong backlog position, are indicators of revenue recovery in 2023 and 2024. While short-term supply chain constraints are expected to remain for key components, Abaco's investment in inventories and robust industry growth give management confidence over the company's future outlook. 2023 YTD the company has achieved 51% growth in revenue compared to the same period in 2022.

As a result of lower revenue volume, management took decisive action in 2021 and 2022 to address business profitability. Multiple redundancy cycles, most recently in 2022, significantly reduced the cost profile of the company. In addition to headcount restructuring, the company also initiated several affordability actions to lower spend in IT, travel, CapEx and other SG&A areas.

The Directors have stress tested the forecasts for the remainder of 2023 and for 2024 noting the most significant factor impacting the cash inflows for the Company is the level of revenues being generated. These stress tests show that, without any management actions to mitigate costs, a fall in forecast revenues of more than one third would be required over 12 months from the date of approval of these financial statements for the Company to run out of liquid funds. This fall in revenues represents a significant reduction on forecast revenues for the next 12 months as well as a reduction on actual and forecast revenues for the year-ended 31 December 2023. However, the Directors would not tolerate such a fall in revenue without taking further measures to reduce costs in the business.

The company's ultimate parent, AMETEK Inc, has also performed favourably through the pandemic. The financial statements for AMETEK, Inc are publicly available at www.ametek.com.

On the basis of their assessment, including the factors detailed above, the directors have concluded it is appropriate for the company's 2022 financial statements to be prepared on a going concern basis.

1.3 Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/ value added tax, returns, rebates and discounts and after eliminating sales within the company.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Sale of electronic sub-systems

Turnover is recognised when it and the associated costs can be measured reliably, future economic benefits are probable and the risks and rewards of ownership have been transferred to the customer and specific criteria have been met for each of the company activities.

Some of the goods are invoiced under a 'bill and hold' arrangement and revenue for this is recognised when the goods are transferred to the storage facility.

Sale of associated services

Turnover from contracts for services is recognised by reference to the stage of completion, costs incurred and costs to complete can be reliably measured. Turnover is calculated as that proportion of total contract value which costs incurred to date relate to total expected costs for the contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer.

1.4 Intangible fixed assets - goodwill

Goodwill is stated at cost less any accumulated amortisation expenses and impairment losses. Goodwill is allocated to cash-generating units.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be between 3 and 10 years.

1.5 Intangible fixed assets other than goodwill

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 and direct labour. 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.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Research and development 7-9 years
- Licences 3 years

The basis for choosing these useful lives is useful economic life. Capitalised development costs relate to a range or projects, each project having a life which relates to anticipated product life.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2.5% straight line
Plant and equipment	6.25 - 50% straight line
Fixtures and fittings	6.25 - 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.9 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade, other debtors, amounts owed by group undertakings and accrued income, are initially measured at transaction price including transaction costs and are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade, other creditors, accruals and amounts due to group undertakings are initially recognised at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged, cancelled or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.18 Government grants

Government grants are recognised in relation to research and development above the line (ATL) tax credits. The amounts received are recognised as other operating income once the amount receivable can be reliably estimated.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.20 Long term contract accounting

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of themwork carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****2 Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The following are considered to have the most significant effect on the amounts recognised in the financial statements:

- **Taxation** - the estimate of the amount of deferred tax assets that can be recognised, based on the likely level and timing of future profit.
- **Stocks** - the estimate of provision required to ensure that inventories are recorded at the lower of cost and net realisable value.
- **Fixed assets** - the judgement of whether impairment provisions are required to reduce the carrying value of tangible and intangible fixed assets.
- **Capitalisation of development costs** - The company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following: the technical feasibility of completing the development so the intangible asset will be available for use or sale; its intention to complete the development and to use or sell the intangible asset; its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and, its ability to measure reliably the expenditure attributable to the intangible asset during its development. A degree of judgement is required to ensure that the criteria has been met.
- **Amortisation period of development costs** - Development costs are amortised from the point of recognition as an intangible asset over a period of 7-9 years. The period of amortisation is based on the expected life of a project or range. These periods are reviewed periodically throughout the year and adjusted based on the current assessment of a project or range expected life.

3 Turnover

	2022	2021
	£'000	£'000
Turnover analysed by class of business		
Sale of goods	59,098	85,350
Rendering of services	2,760	1,876
	<u>61,858</u>	<u>87,226</u>
	<u><u>61,858</u></u>	<u><u>87,226</u></u>
	2022	2021
	£'000	£'000
Turnover analysed by geographical market		
United Kingdom	16,341	18,085
European Union	14,725	11,174
USA	27,501	52,177
Rest of the world	3,291	5,790
	<u>61,858</u>	<u>87,226</u>
	<u><u>61,858</u></u>	<u><u>87,226</u></u>

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2022**4 Other income**

Other income includes research and development tax credits received from the Government £350,000 (2021: £360,000).

5 Operating profit

	2022	2021
	£'000	£'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	1,650	681
Research and development costs	3,725	1,888
Fees payable to the company's auditor for the audit of the company's financial statements	97	122
Depreciation of owned tangible fixed assets	1,654	1,543
Loss/(profit) on disposal of tangible fixed assets	29	(8)
Amortisation of intangible assets	3,796	3,644
Impairment of intangible assets	355	522
Impairment of stocks recognised or reversed	488	76
Operating lease charges	147	273
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Production	126	150
Engineering	77	85
Sales and marketing	21	25
Administration	29	23
	<u> </u>	<u> </u>
	253	283
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2022	2021
	£'000	£'000
Wages and salaries	11,143	15,867
Social security costs	1,209	1,623
Pension costs	984	1,181
	<u> </u>	<u> </u>
	13,336	18,671
	<u> </u>	<u> </u>

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****7 Directors' remuneration**

	2022	2021
	£'000	£'000
Remuneration for qualifying services	-	122
Company pension contributions to defined contribution schemes	-	3
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2021 - 1).

B Wileman and B P Wilson did not receive any remuneration from the company in respect of their services during the year (2021: £nil). Both directors are also directors of other subsidiary companies within the AMETEK group, and their emoluments in respect of qualifying services to these companies are disclosed in the relevant subsidiaries to the extent that their qualifying services can be attributed to these subsidiaries. As directors of fellow group companies, their roles in respect of the company are considered incidental to their wider group roles.

8 Interest receivable and similar income

	2022	2021
	£'000	£'000
Income from fixed asset investments		
Income from shares in group undertakings	-	1,320
	<u> </u>	<u> </u>

9 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Other interest	6	-
	<u> </u>	<u> </u>

10 Taxation

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	1,324	2,014
Adjustments in respect of prior periods	49	(87)
	<u> </u>	<u> </u>
Total current tax	1,373	1,927
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(726)	(66)
Effect of changes in tax rates	-	396
Adjustment in respect of prior periods	(51)	118
	<u> </u>	<u> </u>
Total deferred tax	(777)	448
	<u> </u>	<u> </u>
 Total tax charge	 596	 2,375
	<u> </u>	<u> </u>

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****10 Taxation****(Continued)**

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Profit before taxation	3,383	10,871
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	643	2,065
Tax effect of expenses that are not deductible in determining taxable profit	129	132
Tax effect of income not taxable in determining taxable profit	-	(251)
Adjustments in respect of prior years	(3)	32
Effect of changes in tax rates	(173)	397
Taxation charge for the year	596	2,375

The company's profits for this accounting period are taxed at a rate of 19%. In his Spring 2023 Budget statement on 15 March 2023, the Chancellor of the Exchequer confirmed that the main corporation tax rate would increase from 19% to 25% with effect from 1 April 2023. Deferred tax balance have been stated at 25%

11 Dividends

	2022 £'000	2021 £'000
Ordinary dividend paid	-	2,320

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****12 Intangible fixed assets**

	Goodwill	Patents & licences	Research and development costs	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2022	10,927	123	27,553	38,603
Additions - internally developed	-	-	1,710	1,710
At 31 December 2022	10,927	123	29,263	40,313
Amortisation and impairment				
At 1 January 2022	10,280	123	12,927	23,330
Amortisation charged for the year	308	-	3,488	3,796
Impairment losses	-	-	355	355
At 31 December 2022	10,588	123	16,770	27,481
Carrying amount				
At 31 December 2022	339	-	12,493	12,832
At 31 December 2021	647	-	14,626	15,273

The amortisation charge for the year, the impairment losses and reversals of past impairment losses are recognised within cost of sales.

At the year end, the directors have assessed the value of the research and development asset and concluded that an impairment of £355,000 (2021: £522,000) is appropriate.

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2022**13 Tangible fixed assets**

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2022	15,139	22,508	686	38,333
Additions	-	624	22	646
Disposals	-	-	(66)	(66)
At 31 December 2022	15,139	23,132	642	38,913
Depreciation and impairment				
At 1 January 2022	4,377	16,698	315	21,390
Depreciation charged in the year	333	1,262	59	1,654
Eliminated in respect of disposals	-	-	(37)	(37)
At 31 December 2022	4,710	17,960	337	23,007
Carrying amount				
At 31 December 2022	10,429	5,172	305	15,906
At 31 December 2021	10,762	5,810	371	16,943

Included within plant and equipment are assets under construction with a net book value of £1,210,238 (2021: 819,000).

Freehold land amounting to £1,447,000 (2021: £1,447,000) is not depreciated.

14 Fixed asset investments

	Notes	2022 £'000	2021 £'000
Investments in subsidiaries		2	12

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****14 Fixed asset investments (Continued)****Movements in fixed asset investments**

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2022	12
Disposals	(11)
At 31 December 2022	1
Carrying amount	
At 31 December 2022	1
At 31 December 2021	12

15 Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	33,645	16,315
Work in progress	1,354	6,485
Finished goods and goods for resale	2,751	2,186
	37,750	24,986

The difference between the carrying value of stock and its replacement cost is not material.

16 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	18,707	12,344
Corporation tax recoverable	1,803	1,638
Amounts owed by group undertakings	42,350	40,581
Other debtors	1,083	2,823
Prepayments and accrued income	415	437
	64,358	57,823

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2022**17 Creditors: amounts falling due within one year**

	2022	2021
	£'000	£'000
Trade creditors	6,697	6,079
Amounts owed to group undertakings	19,329	4,749
Taxation and social security	277	564
Other creditors	1,203	1,388
Accruals and deferred income	733	716
	<u>28,239</u>	<u>13,496</u>

18 Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Amounts owed to group undertakings	<u>472</u>	<u>89</u>

19 Provisions for liabilities

	Notes	2022	2021
		£'000	£'000
Warranties		112	186
Dilapidations		52	52
		<u>164</u>	<u>238</u>
Deferred tax liabilities	20	874	1,652
		<u>1,038</u>	<u>1,890</u>

Movements on provisions apart from deferred tax liabilities:

	Warranties	Dilapidations	Total
	£'000	£'000	£'000
At 1 January 2022	186	52	238
Utilisation of provision	(74)	-	(74)
	<u>112</u>	<u>52</u>	<u>164</u>
At 31 December 2022			

Warranties

The provision for product warranties relates to potential warranty claims on products sold for a period of one year from the date of sale.

Dilapidations

The provision relates to an assessment of potential costs that will be incurred when the business exits its premises in Edinburgh. The provision is based on an estimates of costs to be incurred when the current lease expires. The lease expired in February 2022, no further provision required.

ABACO SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****20 Deferred taxation**

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022 £'000	Liabilities 2021 £'000
Balances:		
Accelerated capital allowances	914	1,687
Short term timing differences	(40)	(35)
	<u>874</u>	<u>1,652</u>
Movements in the year:		2022 £'000
Liability at 1 January 2022		1,652
Credit to profit or loss		(778)
		<u>874</u>

The company expects deferred tax liabilities of £41,000 to reverse in 2023.

21 Retirement benefit schemes

The total costs charged to income in respect of defined contribution schemes was £984,000 (2021: £1,181,000)

22 Share capital

	2022 £'000	2021 £'000
Ordinary share capital		
Issued and fully paid		
38,264,409 Ordinary shares of 12.5p each	<u>4,783</u>	<u>4,783</u>

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

23 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

23 Subsidiaries

(Continued)

Name of undertaking and registered office	Class of shares held	% Held Direct
Foundation Technology Limited	2 New Star Road, Leicester LE4 9JD Ordinary	100
Abaco Systems Technology Corporation	900 Technology Park Drive, Billerica, Massachusetts, USA Ordinary	100
Abaco Systems (India) Private Limited	2nd Floor, Shabari Complex, Cariappa Road, Ashok Nagar, Karnataka 560025, India Ordinary	100

Foundation Technology Limited is dormant.

The remaining subsidiaries are involved in the sale of electronic sub-systems.

24 Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

25 Profit and loss reserves

This account includes all current and prior period retained profits and losses.

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £'000	2021 £'000
Within one year	94	181
Between two and five years	101	339
In over five years	-	-
	<u>195</u>	<u>520</u>

27 Ultimate controlling party

The immediate parent company is Abaco UK Holdco Limited, a company registered in England and Wales.

The ultimate parent company and controlling party is AMETEK Inc., a company incorporated in the United States of America. AMETEK Inc. prepares group financial statements which include the company and are the smallest and largest consolidated accounts that the company is included in, and copies can be obtained from 2 New Star Road, Leicester LE4 9JD.