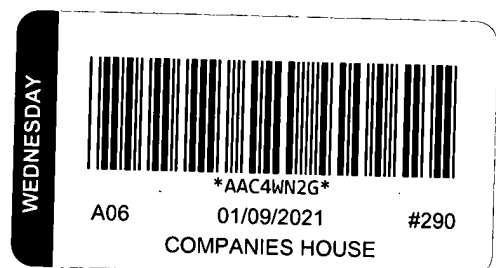


Company Registration No. 02151516 (England and Wales)

ABACO SYSTEMS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020



ABACO SYSTEMS LIMITED

COMPANY INFORMATION

Director	B P Wilson
Secretary	L Carino
Company number	02151516
Registered office	2 New Star Road Leicester Leicestershire LE4 9JD
Auditor	RSM UK Audit LLP Chartered Accountants The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1BP

ABACO SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents the strategic report for the year ended 31 December 2020. Figures are quoted in round £'000s.

Fair review of the business

The company's turnover is £106,685k for the year ended 31 December 2020 (2019: £98,640k) generating operating profit of £21,351k (2019: £23,851k) and profit before tax is £26,442k (2019: £23,851k).

The sales revenue increase is due to receiving large multi-year order wins for key US programmes, providing the company with a multi-year future order book and good forward visibility of additional requirements for the company's products. This allows the directors to remain confident in the future outlook for the company. Alongside the growth in order wins, the company's subsidiary, Foundation Technology Limited, was migrated to the company in the early part of the year. This has meant that the company now benefits from the customers transferred from the subsidiary as they now fall under contract with Abaco Systems Limited and working capital balances have increased accordingly.

The company received dividend income of £5,091k (2019: £nil) which arose due to the merging of Foundation Technology Limited with the company. The merger resulted in the company realizing a return on its investment held within the subsidiary.

Distribution costs have increased from the prior year and this increase is due to the company and parent company, Abaco Systems Inc, conducting a transfer pricing study which has meant the company incurred both a referral fee income and referral fee expense to Abaco Systems Inc. (net expense of £4,133k; 2019 £nil).

With regard to the UK formally leaving the EU, the company has prepared future forecasts and scenarios, due to the company having significant involvement with customers and suppliers who reside in EU Countries. These forecasts are also prepared for and used by our investment firm, Veritas Capital Management LLC. Although these are continuously monitored through the evolution of Brexit, the outcome of these forecasts does not raise concerns to the directors over the future growth of the company.

The Coronavirus (Covid-19) pandemic has not significantly impacted the company due to the nature of business and the long term order contracts the company has in place. The company has not made use of any UK government support schemes due to the pandemic. Production has continued to remain open and active throughout the entire Covid-19 UK lockdowns. Safeguarding the company workplace has also been of vital importance and the company has followed all UK guidelines and third party advice to ensure employee safety. The company has also engaged with third party auditors to successfully ensure that the workplace has sufficient safety controls in place and that they are adhered to.

Net assets are £94,517k at 31 December 2020 (2019: £75,684k). Details of amounts owed by and to group undertakings are shown in notes 17 and 18.

The directors regard continued investment in Research and Development as an essential factor in maintaining the company's competitive advantage and longevity. Product development expenditure in the year amounted to £6,420k (2019: £8,230k). In the spite of the unprecedented market conditions, the directors look forward to continued profitability in 2021.

Future developments

The directors have concluded that the merging of operations of Foundation Technology Limited, a fellow subsidiary undertaking, into the company was in the long term interests of the wider Abaco group. As of 31st March 2020, Foundation Technology's operations, assets and liabilities were transitioned to the company and this has aided in the future streamlining, efficiency and productivity of the company. The migration was a great success to the wider Abaco group.

On 22nd March 2021, the Abaco group announced that AMETEK Inc would be acquiring the Abaco group. The acquisition was completed in April 2021.

ABACO SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators	2020	2019	Comments
Gross margin (%)	48.0	48.3	Ratio of gross profit to sales expressed as a percentage.
Distribution and administration (%)	28.0	19.4	Ratio of costs expressed as a percentage of sales costs excluding R&D (%)
R&D costs expensed (%)	0.3	5.3	Ratio of costs expressed as a percentage of sales.

Geopolitical uncertainties

US customers account for 53% (2019: 57%) of total sales by destination and sales are predominantly to the US parent undertaking and then 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 company is therefore exposed to movements in the US dollar to pound sterling exchange rate.

Section 172(1) Statement

In accordance with section 172 of the Companies Act 2006, the directors act in the way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the following matters, amongst others, set out in section 172(1)(a) to (f) when performing their duties.

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

During the year, the directors ensure that the long-term vision and values of the company are adhered to by ensuring that the company's decisions are based on accurate financial and non financial data, analysis and thorough planning. This is presented and controlled in many ways such as through forecasting, budgeting and KPIs. As the company relies on long term billing, it is necessary to evaluate all multi-year contracts thoroughly and undergo contracts that are beneficial to the company's successes. The directors also recognise that delegating authority to management to oversee the day to day running of the company is far more beneficial to allow the directors to focus on the long term strategic goal and drive of the company.

ABACO SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Financial risk management

The company's principal financial instruments comprise trade debtors, trade creditors 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.

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.

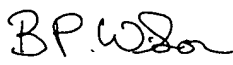
Policies are maintained to ensure the company makes sales to customers with an appropriate credit history. Letters of credit or other appropriate instruments are put in place to reduce credit risk where considered necessary.

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

Foreign exchange risk

The majority of the company's turnover for the year was denominated in US dollars and therefore the company 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.

On behalf of the board



B P Wilson
Director

Date: 27 August 2021

ABACO SYSTEMS LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents his annual report and financial statements for the year ended 31 December 2020.

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:

W M Schult	(Resigned 28 April 2021)
A L Baldock	(Resigned 28 April 2021)
B P Wilson	(Appointed 28 April 2021)

Results and dividends

The results for the year are set out on page 10.

An interim dividend was paid of £2,365,000 (2019: £2,376,000). The directors do not recommend the payment of a final dividend (2019: £nil). A return on investment held in Foundation Technology Limited of £5,091,000 (2019: £nil) was received and credited to investments, reducing the carrying value of the investment to its recoverable of £nil as it was in substance a return of capital.

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. In spite of continued competitive market conditions, the directors look forward to continued profitability in 2021.

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 engagement statement

The company's policy is for the directors 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.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

ABACO SYSTEMS LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the company has chosen to include information required under schedule 7 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 within its Strategic Report. It has done so in respect of financial risk management, objectives and policies, future developments and the section 172 statement.

Streamlined energy and carbon reporting

The streamlined energy and carbon reporting figures of the company are included within the consolidated financial statements of Abaco UK Holdco Limited which are available from Companies House. As such, the company qualifies for the subsidiary exemption under these regulations and therefore the streamlined energy and carbon reporting figures of the company have not been disclosed within these financial statements.

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, each director has taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



.....
B P Wilson

Director

Date: 27 August 2021

ABACO SYSTEMS LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The director is responsible for preparing the Strategic Report and the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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. He is 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.

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

Opinion

We have audited the financial statements of Abaco Systems Limited (the 'company') for the year ended 31 December 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

As explained more fully in the directors' responsibilities 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, 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.

The extent to which the audit was considered capable of detecting irregularities, in fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and tax provisions.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to information and product security. We performed audit procedures to inquire of management whether the company is compliant with these law and regulations and inspected legal and professional expenditure.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Procedures to address these risks included but were not limited to:

In respect of management override we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, reviewing accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement and evaluating whether the business rationale (or the lack thereof) of the transactions outside the normal course of business suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

In respect of revenue recognition we reviewed sales during the year and around the year-end to verify that those sales are recorded in the correct period and reviewed after-date credit notes to ensure they were not in respect of invoices included in the year.

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

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.

RSM UK Audit LLP

David Olsson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP
27-08-2021

ABACO SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Turnover	3	106,685	98,640
Cost of sales		(55,448)	(51,025)
Gross profit		51,237	47,615
Distribution costs		(8,587)	(5,439)
Administrative expenses		(21,576)	(18,932)
Other operating income	3	277	607
Operating profit	6	21,351	23,851
Interest receivable and similar income	8	5,091	-
Profit before taxation		26,442	23,851
Tax on profit	9	(5,244)	(5,205)
Profit for the financial year		21,198	18,646

ABACO SYSTEMS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

		2020		2019	
	Notes	£000	£000	£000	£000
Fixed assets					
Goodwill	11		993		2,573
Other intangible assets	11		12,625		9,783
Total intangible assets			13,618		12,356
Tangible assets	12		16,803		14,025
Investments	13		12		8,523
			30,433		34,904
Current assets					
Stocks	16	21,734		14,614	
Debtors	17	55,171		42,013	
Cash at bank and in hand		5,324		1,783	
		82,229		58,410	
Creditors: amounts falling due within one year	18	(15,767)		(14,576)	
Net current assets			66,462		43,834
Total assets less current liabilities			96,895		78,738
Creditors: amounts falling due after more than one year	19		(952)		(2,148)
Provisions for liabilities	20		(1,426)		(906)
Net assets			94,517		75,684
Capital and reserves					
Called up share capital	23		4,783		4,783
Share premium account	24		30,993		30,993
Profit and loss reserves	24		58,741		39,908
Total equity			94,517		75,684

The financial statements were approved by the board of directors and authorised for issue on 27 August 2021 and are signed on its behalf by:



B P Wilson
Director

ABACO SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2019		4,783	30,993	23,638	59,414
Year ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	18,646	18,646
Dividends	10	-	-	(2,376)	(2,376)
Balance at 31 December 2019		4,783	30,993	39,908	75,684
Year ended 31 December 2020:					
Profit and total comprehensive income for the year		-	-	21,198	21,198
Dividends	10	-	-	(2,365)	(2,365)
Balance at 31 December 2020		4,783	30,993	58,741	94,517

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

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

The company's principal activities and nature of its operations are disclosed in the Director's Report.

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, including the provisions of the Large and medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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. 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:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 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 Abaco UK Holdco Limited and the financial statements of the company are consolidated in the financial statements of Abaco UK Holdco Limited. These consolidated financial statements are available from its registered office, 2 New Star Road, Leicester, Leicestershire, LE4 9JD.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. The company has also produced forecasts, been consistent with tight budgetary controls and further assessed different scenarios of how the Coronavirus may impact the company's longevity. The company also monitors the wider supply chain and the impact of how Coronavirus may impact our suppliers, customers and other stakeholders. These reviews demonstrate that the company is still set to generate profits and cash in the year ending 31 December 2021 and beyond and that the company has sufficient cash reserves to enable the company to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements. As such, the directors have reasonable expectation that the company can continue to manage its business risks. Due to this, the company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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.

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.

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.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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.

Tangible fixed assets

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

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

Freehold buildings	2.5% straight line
Land	
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.

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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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.

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 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.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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.

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of 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.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all temporary timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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 company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

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.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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.

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.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the monthly average operating exchange rate.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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 the work 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 2020

1 Accounting policies (Continued)

Transfer of trade and assets

The company has applied the merger accounting principles for the transfer of the trade and assets of a subsidiary, as set out in Section 19 of FRS 102 - 'Business Combinations and Goodwill'. The company has chosen to prospectively account for the acquisition of the transfer of the business and hence not restate the comparatives. With the merger accounting method, the carrying values of the assets and liabilities transferred to the company are not required to be adjusted to fair value. Instead, the assets and liabilities of the subsidiary were transferred at their book value based on their carrying amount immediately before the transfer.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Inventory provisions

Inventory provisions are recognised for slow-moving, obsolete or unsaleable inventory and are reviewed on a monthly basis. The provision methodology involves matching on hand inventory with manufacturing forecast. In determining inventory provisions, the management team regularly reviews and evaluates inventory in excess of forecasted needs and make appropriate provisions to reflect the risk of obsolescence.

Impairment of goodwill

The goodwill within the business is subject to an annual impairment review and, where an impairment is identified, the carrying value of the asset is adjusted accordingly. As an end of life product the Image Processing component has undergone impairment in previous years, however this year, after impairment review, no adjustments were required.

Capitilisation 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.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The following estimates are considered significant to the financial statements by the directors.

Use economic lives of intangible fixed assets

Goodwill within the company has two components; the Edinburgh Research Branch and Image Processing. The Edinburgh Branch is expected to have a useful life of goodwill of 10 years. Previously a useful life of 20 years has been used. Upon review the company decided to bring the useful life of goodwill to 10 years to coincide with current financial standards and group policy. The impact of this decision has meant a greater yearly expense to the profit and loss and for the upcoming future years. Image processing has been assessed as an end of life product and has been assessed as having a useful life of three years. This was determined by current and future order books being reviewed and the amortisation has been calculated using 2017 net book value split evenly over the remaining assessed life.

Depreciation of tangible fixed assets

Assets under construction are capitalised as and when they are deemed to have started their useful life. Depreciation is calculated from that time at a rate set for the asset category. These rates are reviewed periodically throughout the year, physical inspections of assets also take place and net book values are adjusted or written off accordingly based on the current assessment of the assets condition or performance.

3 Turnover and other revenue

	2020 £000	2019 £000
Turnover analysed by class of business		
Sale of goods	103,203	95,821
Rendering of services	3,482	2,819
	<u>106,685</u>	<u>98,640</u>
	2020 £000	2019 £000
Turnover analysed by geographical market		
United Kingdom	23,584	22,744
Rest of EU	16,324	11,621
USA	56,659	55,341
Rest of World	10,118	8,934
	<u>106,685</u>	<u>98,640</u>
	2020 £000	2019 £000
Other operating income		
Grants received	277	607

Other operating income of £276,690 (2019: £607,000) relates to research and development tax credits received from the government.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

4 Employees

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

	2020 Number	2019 Number
Administration and support	19	25
Directors	2	2
Production	282	250
Selling and distribution	12	8
	<u>315</u>	<u>285</u>

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	15,443	12,763
Social security costs	1,648	1,424
Pension costs	1,152	972
	<u>18,243</u>	<u>15,159</u>

5 Director's remuneration

	2020 £000	2019 £000 as restated
Remuneration for qualifying services	158	172
Company pension contributions to defined contribution schemes	14	4
	<u>172</u>	<u>176</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019: 1).

Certain directors did not receive any remuneration from the company in respect of their services during the year (2019: £nil). These directors who served during the year are also directors of the parent company or a fellow group company, and are remunerated by those companies. Although they do receive remuneration from those companies in respect of their services to various group companies, including this company, any allocation would be notional. Therefore, their remuneration has been disclosed in the financial statements of the relevant company from which the remuneration is received.

The comparative disclosure as been restated to include pension contributions to defined benefit contribution schemes of £4,000.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6	Operating profit	2020	2019
		£000	£000
	Operating profit for the year is stated after charging:		
	Exchange losses	2,020	1,271
	Research and development costs included within administrative expenses	-	4,089
	Research and development costs included within cost of sales	274	1,185
	Depreciation of owned tangible fixed assets	1,366	1,429
	Loss on disposal of tangible fixed assets	48	7
	Amortisation of intangible assets	4,112	3,499
	Impairment of intangible assets	772	-
	Impairment of stocks recognised or reversed	1,157	1,000
	Operating lease charges	254	214
		<u> </u>	<u> </u>
7	Auditor's remuneration	2020	2019
		£000	£000
	Fees payable to the company's auditor and its associates:		
	For audit services		
	Audit of the financial statements of the company	65	62
		<u> </u>	<u> </u>
	For other services		
	All other non-audit services	7	6
		<u> </u>	<u> </u>
8	Interest receivable and similar income	2020	2019
		£000	£000
	Income from fixed asset investments		
	Income from shares in group undertakings	5,091	-
		<u> </u>	<u> </u>
	Dividend income of £5,091,000 was received from Foundation Technology Limited, a subsidiary of the company. See note 13 for further details.		
9	Taxation	2020	2019
		£000	£000
	Current tax		
	UK corporation tax on profits for the current period	3,742	3,847
	Adjustments in respect of prior periods	336	315
	Group tax relief	495	921
		<u> </u>	<u> </u>
	Total current tax	4,573	5,083
		<u> </u>	<u> </u>

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

9 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	469	571
Adjustment in respect of prior periods	202	(449)
Total deferred tax	671	122
Total tax charge	5,244	5,205

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2020 £000	2019 £000
Profit before taxation	26,442	23,851
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	5,024	4,532
Tax effect of expenses that are not deductible in determining taxable profit	418	376
Tax effect of income not taxable in determining taxable profit	(968)	-
Adjustments in respect of prior years	616	(134)
Group relief	-	498
Impact of change in tax rates	86	(67)
Other adjustments	68	-
Taxation charge for the year	5,244	5,205

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020. Deferred tax assets and liabilities have been calculated at 19% (2019: 17%) at the reporting date.

Subsequently after the reporting date, in the Spring Budget 2021, the Government announced measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effected from 1 April 2023.

10 Dividends

	2020 £000	2019 £000
Interim paid	2,365	2,376

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Intangible fixed assets

	Goodwill £000	Research and development £000	Licences £000	Total £000
Cost				
At 1 January 2020	10,927	15,586	123	26,636
Additions - internally developed	-	6,146	-	6,146
At 31 December 2020	10,927	21,732	123	32,782
Amortisation and impairment				
At 1 January 2020	8,354	5,803	123	14,280
Amortisation charged for the year	1,580	2,532	-	4,112
Impairment losses	-	772	-	772
At 31 December 2020	9,934	9,107	123	19,164
Carrying amount				
At 31 December 2020	993	12,625	-	13,618
At 31 December 2019	2,573	9,783	-	12,356

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

At the year end, the directors have assessed the value of the research and development asset and have concluded that an impairment of £772,343 (2019: £nil) is appropriate.

There are no contractual commitments for the acquisition of intangible assets at the year end (2019: nil).

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12 Tangible fixed assets

	Land £000	Freehold buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2020	1,447	13,692	13,452	427	29,018
Additions	-	-	2,698	22	2,720
Transfer on group reconstruction	-	-	5,720	76	5,796
Disposals	-	-	(518)	(38)	(556)
At 31 December 2020	1,447	13,692	21,352	487	36,978
Depreciation and impairment					
At 1 January 2020	-	3,711	11,075	207	14,993
Depreciation charged in the year	-	333	1,028	5	1,366
Eliminated in respect of disposals	-	-	(476)	(32)	(508)
Transfer on group reconstruction	-	-	4,249	75	4,324
At 31 December 2020	-	4,044	15,876	255	20,175
Carrying amount					
At 31 December 2020	1,447	9,648	5,476	232	16,803
At 31 December 2019	-	11,428	2,377	220	14,025

Included within Plant and Equipment are assets under construction with a net book value of £806,000 (2019: £654,000).

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Fixed asset investments

	Notes	2020 £000	2019 £000
Investments in subsidiaries	14	12	8,523

Movements in fixed asset investments

	Shares in group undertakings £000
Cost or valuation	
At 1 January 2020	8,523
Return of capital	(8,511)
At 31 December 2020	12
Carrying amount	
At 31 December 2020	12
At 31 December 2019	8,523

During the year, as part of a restructure, the company acquired the trade and assets of one of its subsidiaries, Foundation Technology Limited. As part of the restructure, the company received a dividend of £13,602,000 from Foundation Technology Limited, which represented the entire net assets of the subsidiary at the time of transfer. Of this amount, £8,511,000 has been credited to investments, reducing the carrying value of the investments to its recoverable amount of £Nil, as it was in substance a return of capital. The excess amount of £5,091,000 was credited to profit and loss.

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct	Indirect
Foundation Technology Limited	1)	Dormant	Ordinary	100	-
Abaco Systems (Australia) PTY Limited	2)	Sale of electronic sub-systems	Ordinary	100	-
Abaco Systems (Japan) GK	3)	As above	Ordinary	100	-
Abaco Systems Technology Corporation	4)	As above	Ordinary	100	-
Abaco Systems (Italy) S.r.l	5)	As above	Ordinary	100	-
Abaco Systems (India) Private Ltd	6)	As above	Ordinary	100	-

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14 Subsidiaries (Continued)

Registered Office addresses:

- 1) 2 New Star Road, Leicester, Leicestershire, LE4 9JD
- 2) Level 16, 201 Elizabeth Street, Sydney, NSW 2000, Australia
- 3) Aoyama Palacio Tower 11F, 3-6-7 Kita-Aoyama, Minato-ku, Tokyo, Japan
- 4) 900 Technology Park Drive, Billerica, Massachusetts, United States
- 5) Corso Vercelli 40, 20145, Milano, Italy
- 6) 2nd Floor Shabari complex, Cariappa Road, Ashok Nagar, Karnataka 560025, India

15 Acquisitions

In order to streamline the wider group's operations to improve efficiency and productivity, in the second half of 2019, the directors began migrating the operations, assets and liabilities of the subsidiary Foundation Technology Limited, to Abaco Systems Limited. The full migration was successfully achieved by 31 March 2020.

Contribution by the acquired business for the reporting period since acquisition:	£000
Turnover	5,856,246
Profit after tax	1,213,051

16 Stocks

	2020	2019
	£000	£000
Raw materials and consumables	10,405	4,730
Work in progress	11,329	9,884
	<u>21,734</u>	<u>14,614</u>

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

17 Debtors

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade debtors	13,604	8,183
Amounts owed by group undertakings	39,909	32,489
Other debtors	1,148	1,018
Prepayments and accrued income	510	323
	<u>55,171</u>	<u>42,013</u>

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

18 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	4,682	4,520
Amounts owed to group undertakings	4,100	3,914
Corporation tax	437	1,905
Other taxation and social security	454	450
Other creditors	1,762	996
Accruals and deferred income	4,332	2,791
	<u>15,767</u>	<u>14,576</u>

The amounts owed to group undertakings of £4,100,000 (2019: £3,914,000) is unsecured, interest free and repayable on demand.

19 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Other creditors	683	1,327
Accruals and deferred income	269	821
	<u>952</u>	<u>2,148</u>

20 Provisions for liabilities

	Notes	2020 £000	2019 £000
Warranties		170	321
Dilapidations		52	52
		<u>222</u>	<u>373</u>
Deferred tax liabilities	21	1,204	533
		<u>1,426</u>	<u>906</u>

Movements on provisions apart from deferred tax liabilities:

	Warranties £000	Dilapidations £000	Total £000
At 1 January 2020	321	52	373
Utilisation of provision	(151)	-	(151)
	<u>170</u>	<u>52</u>	<u>222</u>
At 31 December 2020			

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20 Provisions for liabilities (Continued)

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 current premises in Edinburgh. The provision is based on an estimates of costs to be incurred when the current lease expires. The lease is due to expire in February 2022.

21 Deferred taxation

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

	Liabilities 2020 £000	Liabilities 2019 £000
Balances:		
Accelerated capital allowances	1,285	700
Other timing differences	(81)	(167)
	<u>1,204</u>	<u>533</u>
Movements in the year:		2020 £000
Liability at 1 January 2020		533
Charge to profit or loss		671
Liability at 31 December 2020		<u>1,204</u>

22 Retirement benefit schemes

	2020 £000	2019 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>1,152</u>	<u>972</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £205,000 (2019: £188,000) were payable to the fund at the year end and are included in creditors.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23 Share capital

	2020 £000	2019 £000
Ordinary share capital		
Issued and fully paid		
38,264 ordinary of 12.5p each	4,783	4,783
	<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.

24 Reserves

Share premium account

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

Profit and loss account

Cumulative profit and loss net of distribution to owners.

25 Financial commitments, guarantees and contingent liabilities

During the financial period and up to the date of acquisition by AMETEK Inc, Abaco Systems Holdings LLC and group companies were party to a central banking facility with the Bank of America N.A. and therefore the group and its subsidiaries were party to a fixed and floating charge on all assets. This facility and the related charges on assets were removed after the acquisition by AMETEK Inc.

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:

	2020 £000	2019 £000
Within one year	191	166
Between one and five years	149	314
	<u>340</u>	<u>480</u>

27 Events after the reporting date

On 6 January 2021, the company signed a 5 year lease agreement for new office premises. The company will be committed to paying £403,000 in total over the period of the lease.

On 22nd March 2021, the Abaco group announced that AMETEK Inc would be acquiring the entire Abaco group. The acquisition was completed in April 2021.

ABACO SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

28 Ultimate controlling party

The company's immediate parent is Abaco UK Holdco Limited, a company incorporated in the United Kingdom and registered at 2 New Star Road, Leicester, Leicestershire, LE4 9JD.

The smallest group in which the results of the company are consolidated is that headed by Abaco UK Holdco Limited, a company incorporated in the UK and whose registered office is 2 New Star Road, Leicester, Leicestershire, LE4 9JD.

The largest group in which the results of the company are consolidated is that headed by Abaco Systems Holdings LLC, a company incorporated in the United States of America and whose registered address is c/o Cogency Global Inc. (Registered Agent), 850 New Burton Road, Suite 201, Dover, Delaware 19904, United States of America.

The company is ultimately controlled by Veritas Capital Management LLC, a global private investment firm incorporated in the United States of America and whose registered address is c/o Cogency Global Inc. (Registered Agent), 850 New Burton Road, Suite 201, Dover, Delaware 19904, United States of America.

At date of signing the financial statements, the ultimate parent company changed to AMETEK Inc, a company incorporated in the United states of America and whose registered address is 1100 Cassatt Road, Berwyn, PA 19312 (refer to note 27).