

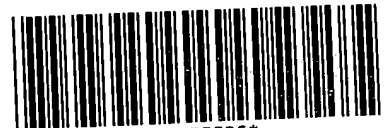
Company Registration No. 05137829 (England and Wales)

PARADIGM PRECISION BURNLEY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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PARADIGM PRECISION BURNLEY LTD

COMPANY INFORMATION

Directors	Mr S Croke Mr R B Grochowski Mr M C Pemrick
Company Secretary	7Side Secretarial Limited
Company number	05137829
Registered office	1 Bentley Wood Way Network 65 Business Park Hapton Burnley Lancashire BB11 5TG
Independent auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ

PARADIGM PRECISION BURNLEY LTD

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PARADIGM PRECISION BURNLEY LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Business Review

The company continues to operate in the Aerospace and Industrial Gas Turbine markets.

The results of the operations of the company show an operating loss of £1,818,000 (2019: profit of £739,000 on turnover of £26,063,000 (2019: £34,628,000)).

As at 31 December 2020 the company held net assets of £6,419,000 (2019: £7,954,000).

The company performance and revenue were affected by two significant events in 2020. The first being the continued delay of production on the 737-Max aircraft with Boeing customers. This impacted in January and enforced a small redundancy within the business. The second and more significant event, was the outbreak of the COVID-19 pandemic that had significant impact from March 2020 onwards. Whilst the company utilised the government furlough scheme in the early months during 'lockdown', the number of order cancellations and schedule push outs from customers made it inevitable that a further restructuring would be required on a much larger scale than January. Over fifty (50) positions were removed due to this in Q2.

The civil aviation side of the business was severely impacted and revenues in this sector throughout the year only performed at 20% of the 2020 Annual Operating Plan. We are starting to see some recovery in 2021 with volumes picking up, however this has been slow. Fortunately, the defence and IGT sectors remained steady, and this enabled the company to plan very quickly for the remainder of 2020 and 2021.

The cost of restructuring (£738k) and settlement of forward hedging on FX (£1,732k) were the two significant and main constituent parts of the operating loss for 2020. Restructuring costs were a one off and the FX loss was driven by the money market deals which were fully settled in 2020, therefore these costs will not be incurred in future years.

Principal risks and uncertainties and financial risk management

A key risk identified by management is business cash flow; the risk is mitigated by the preparation and review of a 26-week cashflow forecast, updated weekly and measures needed, actioned. The company also have access to Group funds, if required. Cash flow was very sensitive in 2020 due to customer cancellations and schedule shifts without notice due to the COVID pandemic but was managed well by the site.

There was some uncertainty due to Brexit, but this was largely minimalised due to COVID and whilst some logistical difficulties were apparent, there was no significant impact on current business due to Brexit. Following the year end we are seeing minimal impact as a result of Brexit.

Management believe a key risk is orderbook volatility as a result of involvement with legacy engine programmes and repair and overhaul. The issues with the Boeing 737 Max program that remained grounded for much of 2020 and the COVID pandemic caused problems with inventory levels and redundant stock. The main casualty to the business was the loss of the RB211-524 repairs contract that was cancelled by the cessation of BA's 747 fleet. There is an ongoing claim for losses with the customer. Due to uncertainties of the claim we did not recognise any receivables in relation to this claim yet.

Credit is another risk facing the company through non-payment of debt. This is mitigated through Customer engagement and contractual agreements. All new customers are credit checked and alerts set up for existing customer changes. A robust procedure for chasing & escalating overdues is in place.

Revenues are not expected to return to pre-Covid levels in the civil aviation sector until 2023 and this uncertainty does make ongoing recruitment more cautionary. However, the company is still investing in its apprenticeship program and on-going training of high potential employees.

PARADIGM PRECISION BURNLEY LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Financial and other key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	2020 £000	2019 £000	Change
Turnover	26,063	34,628	(24.7%)
Gross profit %	37.3%	34.3%	3.0%
Profit/(loss) before taxation	(2,207)	450	(590.4%)
Cash at bank & in hand	1,349	185	629.2%
Net assets	6,419	7,954	(19.3%)
Average number of employees	236	278	(15.1%)
Productivity	89%	79%	10%
On time delivery	77%	67%	10%

Productivity and on time delivery are metrics tracked weekly and both improved during the financial year by 10%. This is due to a number of process improvements on the shopfloor, mainly around visual management boards and daily review meetings with the operators and team leaders.

Governance and strategy

The company recognises the contribution made by good governance to the Company's success and deliverance of strategy.

Section 172 of the Companies Act 2006 requires directors to act in a way they consider in good faith to be most likely to promote the success of the company for the benefit of all stakeholders. In doing so a director of a company must have regard (amongst other matters) to:

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

The following disclosure describes how the directors have had regard to the matters set out in section 172(1a) to (f) and forms the directors statement required under section 414CZA of the Companies Act 2006.

Parent Company

The parent company (Turbo Combustor Technology, Inc.) has a responsibility to deliver wealth to Dynamic Precision Group, Inc. which then allows the group to fulfil its commitments to investors. The group (Dynamic Precision Group, Inc.) has the following core values: Health and safety, Quality, Customer Service, Development, Integrity, Corporate citizenship, Continuous improvement and Respect. These underpin everything we do across the business.

Customers

Our customers are our priority, we have dedicated customer key account managers and are measured against monthly customer scorecards for delivery and quality and strive for continuous improvement. We ensure customer relationship remain string through collaborative working and sharing of ideas, particularly on new product implementation and cost saving initiatives.

Employees

The workforce is the company's most valuable asset and it is important to retain key skills to secure the future resourcing requirements of the company.

PARADIGM PRECISION BURNLEY LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Governance and strategy (continued)

The company implements development and succession plans for employees (where applicable) and has created Standard Operating Procedures (SOP's) for much of the shopfloor work to ensure quality, consistency and continuation. Any necessary training and coaching required is either facilitated internally (whereby the skillset prevails) or by external service providers when required.

It is company policy to keep employees as fully informed as possible on matters which affect them. This is achieved through regular briefings and updates. Shop Floor employees are represented by a Trade Union and any decisions impacting this group of people will be subject to a consultation with the union where required by law to do so. Employees also have access to an Employee Assistance Programme and an Ethics hotline where they can receive confidential help and support.

The company has completed a stage 1 audit for ISO 45001 certification which covers occupational health and safety requirements so all employees can be confident the workplace is safe and complies with all relevant legislation. The full stage 2 audit will be conducted in November 2021 for full certification.

Suppliers

In order to satisfy customer requirements, the company needs its suppliers to meet its own high standards in quality and on time delivery. The company has dedicated procurement and supplier management functions and procedures in place which are responsible for performance and quality management, to ensure a high-quality supply chain.

Potential new suppliers are strictly vetted to ensure they hold all the required Quality approvals, whether these be related to Aerospace manufacturing or general engineering and will also cover Environmental approvals. A financial health check is also carried out. Once a supplier is approved by the business, they are subject to a weekly watchlist screening process to check for any activity that the company deems unacceptable.

PARADIGM PRECISION BURNLEY LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Future developments

The company continues to develop and enhance its portfolio on LEAP (Leading Edge Aviation Propulsion) products and is well positioned when the civil aviation industry demand reaches pre-COVID levels. The LEAP engine is a joint venture between Safran & GE with unprecedented fuel efficiency and is fitted into Boeing 737 & Airbus A320 airplane models. There are ongoing discussions with the companies Industrial Gas Turbine customers that have secured contract extensions and potential assembly work on ongoing projects.

The portfolio of the Maintenance Repairs Organisation is changing due to the cessation of the 747 fleet. However, the growth potential on Industrial engines is still a key opportunity as is the task of expanding beyond the current RB211 range of products. The company has targeted plans on CFM56 and Trent repair schemes.

Additional inroads are being made into Military programs and on Trent 1000 engines, with several quotations and request for quotations being completed and submitted. The company has also acquired JOSCAR (Joint Supply Chain Accreditation Register) certification that enables market entry onto several new platforms and with new customers within the defence sector.

An enhanced focus has been placed on what the company considers one of its unique selling points, that of the post-processing of additive parts within its fuel injectors portfolio. This will drive a technology uplift and equipment upgrade in this area to support increased demand.

Future investment is geared towards high volume engine programmes with enhancements to its laser welding capabilities, whilst the repair section aims to support its customers through repair and reassembly of engine modules as well as components and this area has increased its capability to capture a more diverse product mix. The company has commenced development on its robotic and automated welding program to enhance its future offering to customers.

On behalf of the board



.....
Mr R B Grochowski

Director

Date: *26 November 2021*

PARADIGM PRECISION BURNLEY LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Directors

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

Mr S Croke
Mr R B Grochowski
Mr M C Pemrick
Mr A J Searle (resigned 10 March 2021)

Results and dividends

The loss after tax for the financial year amounted to £2,207,000 (2019: loss £868,000). Further detail is provided in the business review section of the strategic report.

The directors do not recommend the payment of a dividend (2019: £Nil).

Research and development

Investment in research and development continues to support design change requirements for LM6000 & LM9000 programmes along with exploring new innovations and technologies related to future developments and customer expectations within the aerospace segment. In particular, the main area we have focussed on in the year is on complex fabrication & design along with additive manufacturing, (mainly post processing solutions).

Statement of engagement with suppliers, customers and others in a business relationship with the company

Engagement with stakeholders can be seen in the strategic report in the Governance & Strategy section.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of member of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is differently abled.

Employee involvement

The company holds regular meetings with employee representatives to discuss matters affecting employees. The matters discussed include the terms and conditions of employment, health and safety and working methods. Any major changes impacting employees undergo a consultation process. In addition, copies of the financial statements are available for inspection at the company's place of business. Refer to the Governance & Strategy Employees section in the Strategic Report for further details on support provided to employees.

Financial risk management and future developments

The financial risk management and future developments disclosures can be found in the Strategic report on pages 1 to 4.

PARADIGM PRECISION BURNLEY LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

COVID-19

The results of operations in 2020 for Paradigm Precision were impacted by the COVID-19 pandemic, specifically through reduced demand for many of the Company's products resulting from the rapid contraction of vast areas of the global economy. For the company, the negative impact of COVID-19 was fortunately not as severe as other companies in our industry. Our sales took a drop in Q2, particularly in the Repairs business but were stabilizing on a normal level as we reached the end of the year. This is due to our product portfolio ranging across power generation as well as Aerospace.

The extent of the COVID-19 impact on the Company's future operations will depend on the time period and degree to which the COVID-19 pandemic persists in the global economy thereby reducing customer demand for certain of the Company's products, including the timing and extent to which customer operations continue to be impacted, customer perception as to when consumer demand for their products will return to pre-pandemic levels and on any future disruptions in the Company's operations or the operations of suppliers to the Company, all of which are difficult to predict.

However, as outlined in Note 1.2, the 2021 results are very positive as turnover, profits & cash flow continue to improve as the year progresses.

Independent auditor's

Deloitte LLP have been appointed as auditor from the year ended 31 December 2020.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General.

Statement of disclosure to auditor's

Each of the persons who are directors at the time when this directors report is approved has confirmed that:

- So far as that any director is aware, there is no relevant audit information of which the company's auditor's are unaware; and
- That director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor's are aware of that information.

Going concern

The company is reliant on the loan from its ultimate parent undertaking, Dynamic Precision Group, which is repayable on demand. The company has insufficient liquidity on hand to repay the loan, should it be recalled. These events or conditions, along with other matters set forth in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

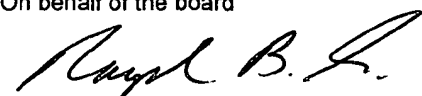
Directors liabilities

The company has granted an indemnity to the directors 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 remains in force during the financial year and also as at the date of approving the directors report.

Post balance sheet events

There are no Post Balance Sheet Events that adversely affect the company.

On behalf of the board



Mr R B Grochowski

Director

Date: 26 November 2021

PARADIGM PRECISION BURNLEY LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments 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; and
- 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.

PARADIGM PRECISION BURNLEY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARADIGM PRECISION BURNLEY LTD

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Paradigm Precision Burnley Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its comprehensive loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which indicates that the company is reliant on the loan from its ultimate parent undertaking, Dynamic Precision Group, which is repayable on demand; and the company has insufficient liquidity on hand to repay the loan, should it be recalled.

These events or conditions, along with the other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

PARADIGM PRECISION BURNLEY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARADIGM PRECISION BURNLEY LTD (CONTINUED)

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.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

PARADIGM PRECISION BURNLEY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARADIGM PRECISION BURNLEY LTD (CONTINUED)

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Inventory provision balance has been recorded at the inappropriate value due to management's judgement of items provided for:
 - we tested the design and implementation of controls in place to mitigate the risk of material misstatement;
 - we performed a recalculation of the year-end stock provision using the year-end stock listing;
 - we considered whether the inputs used in the provision calculation appear appropriate and reasonable; and
 - we ensured completeness of the provision by tracing a sample of items from the stock listing for correct inclusion in the provision schedule and by checking if the selected sample matches policy criteria of the entity and hence provision is made where appropriate.
- Other provision such as provision for loss making contracts has been recorded at the inappropriate value due to management's judgement of items provided for. We have obtained the calculation which was based on the estimated losses for particular programmes in which the company have agreed a contract price & quantity and verified these inputs; and
- Revenue recognition - manual journals posted to revenue within the accounting system:
 - we tested the design and implementation of controls in place to mitigate the risk of material misstatement; and
 - we profiled all manual journals to revenue, selected a sample to agree to supporting documentation and assessed whether the entries had a valid business rationale and were not indicative of fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

PARADIGM PRECISION BURNLEY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARADIGM PRECISION BURNLEY LTD (CONTINUED)

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

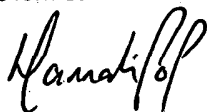
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Hannah Pop, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

29 November 2021

PARADIGM PRECISION BURNLEY LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Turnover	3	26,063	34,628
Cost of sales		(16,353)	(22,740)
Gross profit		9,710	11,888
Other income	3	602	-
Administrative expenses		(12,130)	(11,149)
Operating (loss)/profit	4	(1,818)	739
Finance costs (net)	8	(389)	(289)
(Loss)/profit before taxation		(2,207)	450
Tax on (loss)/profit	9	-	(1,318)
Loss for the financial year		(2,207)	(868)
Other comprehensive income			
Cash flow hedges: Gains/(losses) arising during the year	15	742	1,688
Movement on deferred tax on hedging	9	-	(413)
Share based payment release		(70)	-
Total comprehensive (loss)/income for the year		(1,535)	407

The Statement of comprehensive income has been prepared on the basis that all operations are continuing.

The notes on pages 16 to 36 form part of these financial statements.

PARADIGM PRECISION BURNLEY LTD

BALANCE SHEET

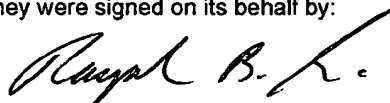
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	3,115	3,642
		<u>3,115</u>	<u>3,642</u>
Current assets			
Stocks	12	9,554	8,810
Debtors: amounts falling due within one year	13	4,237	6,816
Cash at bank and in hand		1,349	185
		<u>15,140</u>	<u>15,811</u>
Creditors: amounts falling due within one year	14	<u>(10,754)</u>	<u>(10,289)</u>
Net current assets		<u>4,386</u>	<u>5,522</u>
Total assets less current liabilities		<u>7,501</u>	<u>9,164</u>
Provisions for liabilities	16	<u>(1,082)</u>	<u>(1,210)</u>
Net assets		<u>6,419</u>	<u>7,954</u>
Capital and reserves			
Called up share capital	20	654	654
Share premium account		6,652	6,652
Cash flow hedge reserve		-	(742)
Other reserves		-	70
Profit and loss account		(887)	1,320
Total shareholder's funds		<u>6,419</u>	<u>7,954</u>

The notes on pages 16 to 36 form part of these financial statements.

The financial statements of Paradigm Precision Burnley Ltd (registered number 05137829) on page 12 to page 36, were approved by the board of directors and authorised for issue on 26th November 2021.

They were signed on its behalf by:



.....
Mr R B Grochowski
Director

PARADIGM PRECISION BURNLEY LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000	Share premium account £000	Cash flow hedge reserve £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 January 2019	654	6,652	(2,017)	70	2,188	7,547
Year ended 31 December 2019:						
Loss for the financial year	-	-	-	-	(868)	(868)
Changes in value of hedging instrument	-	-	1,688	-	-	1,688
Tax relating to other comprehensive income	-	-	(413)	-	-	(413)
Total comprehensive income/(expense) for the year	-	-	1,275	-	(868)	407
Share based payment transactions	-	-	-	-	-	-
Balance as at 31 December 2019	654	6,652	(742)	70	1,320	7,954
Year ended 31 December 2020:						
Loss for the financial year	-	-	-	-	(2,207)	(2,207)
Cash flow hedges: Gains/(losses) arising during the year	-	-	742	-	-	742
Share based payment release	-	-	-	(70)	-	(70)
Total comprehensive loss for the year	-	-	742	(70)	(2,207)	(1,535)
Balance as at 31 December 2020	654	6,652	-	-	(887)	6,419

The notes on pages 16 to 36 form part of the financial statements.

PARADIGM PRECISION BURNLEY LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Net cash flows from operating activities	25	1,579	(136)
Cash flows from investing activities			
Purchase of equipment		(413)	(686)
Proceeds from sale of equipment		-	6
Net cash used in investing activities		(413)	(680)
Net increase/(decrease) in cash and cash equivalents	26	1,164	(816)
Cash and cash equivalents at beginning of year		185	1,001
Cash and cash equivalents at end of year		1,349	185

The notes on pages 16 to 36 form part of these financial statements.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Paradigm Precision Burnley Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 1 Bentley Wood Way, Network 65 Business Park, Hapton, Burnley, BB11 5TG.

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 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.

1.2 Going concern

The directors have performed an assessment of the going concern position. The trading results in 2020 were severely impacted by the pandemic, however the business resized its assets accordingly so the cash position at the year end was still healthy and the balance sheet shows that assets far outweigh liabilities by some £6.4m at the year end.

Looking at the post balance sheet results, the profits for the for the year to date are positive with trading starting to return to pre pandemic levels. We have forecast to end the year with an operating profit in excess of £1.6m. Cash flows in 2021 remain healthy with a balance at the end of September of more than £1.1m and the net assets position continues at similar levels to the year end.

The company is reliant on the loan from its ultimate parent undertaking, Dynamic Precision Group, which is repayable on demand. The company has insufficient liquidity on hand to repay the loan, should it be recalled. These events or conditions, along with other matters set forth in this note, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably and (d) it is probable that future economic benefits will flow to the entity. This is usually on despatch of the goods to the customer, with the exception of services (Repairs). The revenue on services is recognised in the period in which the service is completed.

Government grants

In various circumstances the company can be entitled to and has been in receipt of a number of different grants and financial support packages from various government bodies across the territories in which it operates. The company applies Section 24 of FRS 102, The Financial Reporting Standard for the UK and Republic of Ireland for entities reporting under UK GAAP. Grants are accounted for under the accruals model as permitted by FRS 102. All grants received are of a revenue nature and are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The company has not directly benefited from any other forms of government assistance.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

1.4 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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:

Software	20% - 33.3% straight line
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1.5 Tangible assets

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

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 basis:

Leasehold land and buildings	2% straight line
Plant and equipment	10-25% straight line
Motor vehicles	33.33% 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.

1.6 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets

Basic financial assets, including trade debtors, amounts owed by group undertakings and cash at bank and in hand balances are initially recognised at transaction price.

Impairment of financial assets

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another part of (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, amounts owed to group undertakings and other taxation and social security are classed as debt and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market value.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an 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.

Hedging arrangements

The company applies hedge accounting for transactions entered into to manage its cash flow exposures of exchange rate movements. Forward foreign exchange contracts are held to manage foreign current exposure.

Changes in the fair values of derivative designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness of the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Derecognition of financial liabilities

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

1.10 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.

1.11 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the current or prior year. Tax is calculated on the basis of tax rates and laws that have not been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

1.12 Provisions

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.13 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension scheme.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension scheme

The company operates a defined contribution scheme for its employees. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the scheme are held separately from the company in independently administered funds.

1.14 Share-based payments

2011 Equity Incentive Plan

Share options over the shares of Dynamic Precision Group, Inc., the ultimate parent undertaking, are granted to selected executives, directors, officers and other key employees of the company. The fair value of options granted are recognised as an expense in the statement of comprehensive income with a corresponding increase in the 'other reserves' as the cost of these options is not recharged to the company by group.

The fair value of options is measured at grant date using the Black-Scholes option pricing model.

Options consist of two types of options:

(i) Time options

Time options vest and become exercisable in five equal annual instalments.

(ii) Performance options

Performance options vest and become exercisable in five equal annual instalments based on the company's achievement against the established earnings before interest, taxes, depreciation and amortisation and net debt targets, subject to the board of directors' discretion.

The fair value of each performance option is estimated on the date of grant assuming the performance goals will be achieved. If such goals are not met, no compensation cost is recognised and any recognised compensation cost is reversed.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.15 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.

1.16 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 profit and loss account for the period.

1.17 Research and development

All expenditure on research incurred in the year is charged to the statement of comprehensive income.

1.18 Share capital

Ordinary shares are classified as equity.

1.19 Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are 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.

Provisions

The company has a provision in place for Loss Making Contracts. This provision is based on the estimated losses for particular programmes in which we have agreed a contract price & quantity. See note 16 for further information on these provisions.

Stock provisioning

When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. These assumptions are generally based around the stock aging and whether or not we have future demand for the products. See note 12 for further information.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover	2020	2019
	£000	£000
Turnover analysed by class of business		
Sales of goods	21,382	27,137
Sales of services	4,681	7,491
	<u>26,063</u>	<u>34,628</u>
	2020	2019
	£000	£000
Turnover analysed by geographical market		
United Kingdom	10,944	14,374
Rest of European Union	2,505	7,492
Rest of World	12,614	12,762
	<u>26,063</u>	<u>34,628</u>

In the year £602k was received from HM Government from the Coronavirus Job Retention Scheme in government subsidiaries in relation to staff members who had been furloughed as a result of the pandemic. This is shown as other income on page 12.

4 Operating profit/(loss)	2020	2019
	£000	£000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Foreign exchange losses	1,732	540
Depreciation of owned tangible fixed assets	940	831
Loss on disposal of tangible fixed assets	-	26
Management fee	1,550	1,685
Loss on disposal of intangible assets	-	5
Cost of stock written off in year	338	270
Operating lease charges	500	450

The management fee represents a recharge from Dynamic Precision Group, Inc., the ultimate parent undertaking and controlling party and represents a percentage of group costs that are apportioned to all group companies, based on revenue and headcount. This cost mainly consists of salaries and IT costs.

5 Auditor's remuneration	2020	2019
	£000	£000
Fees payable to the company's auditor's:		
For audit services		
Audit of the financial statements of the company	<u>80</u>	<u>71</u>
For other services		
Taxation compliance services	-	13
All other non-audit services	-	8
	<u>-</u>	<u>21</u>

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees

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

	2020 Number	2019 Number
Manufacturing	206	248
Engineering	18	19
Sales and administrative	12	11
	<u>236</u>	<u>278</u>

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	7,966	9,935
Social security costs	700	910
Pension costs	659	763
	<u>9,325</u>	<u>11,608</u>

7 Directors' remuneration

	2020 £000	2019 £000
Remuneration for qualifying services	145	164
Company pension contributions to defined contribution schemes	11	11
	<u>156</u>	<u>175</u>

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

During the year no (2019: no) directors exercised share options.

The number of directors who are entitled to receive shares under long term incentive schemes during the year was nil (2019: nil).

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Directors' remuneration

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £000	2019 £000
Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	<u>156</u>	<u>175</u>

The directors consider key management personnel to comprise of only the statutory directors, whose emoluments are included above. Therefore, no further details regarding key management compensation has been disclosed.

8 Finance costs (net)

	2020 £000	2019 £000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	<u>389</u>	<u>289</u>

9 Tax on (loss)/profit

	2020 £000	2019 £000
Current tax		
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	1,479
Effect of changes in tax rates	-	(150)
Adjustment in respect of prior periods	<u>-</u>	<u>(11)</u>
Total deferred tax	<u>-</u>	<u>1,318</u>
Total tax charge/(credit)	<u>-</u>	<u>1,318</u>

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Tax on (loss)/profit (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

	2020 £000	2019 £000
(Loss)/profit before taxation	(2,207)	450
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(419)	86
Tax effect of expenses that are not deductible in determining taxable profit	13	123
Adjustments in respect of prior years	-	(11)
Effect of change in corporation tax rate	-	(150)
Unrecognised deferred tax	406	1,270
Taxation charge/(credit) for the year	-	1,318

In addition to the amount charged/(credited) to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £000	2019 £000
Movement on deferred tax arising on:		
Changes in value of hedging instrument	-	413

Factors that may affect future tax charges

The Finance (No 2) Act 2015, which provides the main rate of corporation tax of 19% effective from 1 April 2017, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016.

The closing deferred tax asset and liability has been calculated at 19% reflecting the rate that was substantively enacted at the balance sheet date.

At Budget 2020 on 11 March 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the March 2021 Budget, it was announced that the UK tax rate will go up from the current 19% to 25% from 1 April 2023.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Intangible fixed assets

	Software £000
Cost	
At 1 January 2020	246
At 31 December 2020	246
Amortisation and impairment	
At 1 January 2020	246
At 31 December 2020	246
Carrying amount	
At 31 December 2020	-
At 1 January 2020	-

11 Tangible fixed assets

	Leasehold land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2020	1,659	18,837	61	20,557
Additions	-	413	-	413
At 31 December 2020	1,659	19,250	61	20,970
Depreciation and impairment				
At 1 January 2020	1,659	15,209	47	16,915
Depreciation charged in the year	-	931	9	940
At 31 December 2020	1,659	16,140	56	17,855
Carrying amount				
At 31 December 2020	-	3,110	5	3,115
At 1 January 2020	-	3,628	14	3,642

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Stocks

	2020	2019
	£000	£000
Raw materials and consumables	4,964	4,256
Work in progress	4,590	4,554
Finished goods and goods for resale	-	-
	<u>9,554</u>	<u>8,810</u>

There is no material difference between the replacement cost of stocks and their carrying amount.

Stocks are stated after provisions for impairment of £948,000 (2019: £1,376,000).

13 Debtors

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade debtors	3,622	5,623
Amounts owed by group undertakings	-	132
Other debtors	310	469
Prepayments and accrued income	305	592
	<u>4,237</u>	<u>6,816</u>

Trade debtors are stated after provisions for impairment of £131,000 (2019: £93,000).

Amounts owed by group undertakings due within one year are unsecured, interest free and repayable on demand.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	1,955	4,437
Amounts owed to group undertakings	7,636	3,655
Other tax & social security	211	283
Derivative financial instruments	-	742
Accruals & deferred income	952	1,172
	<u>10,754</u>	<u>10,289</u>

Amounts owed to group undertakings are unsecured and repayable on demand. £7,636,000 (2019: £3,655,000) of amounts owed to group undertakings bear interest at 6%. All other amounts (non-loans) are interest free.

Derivative financial instruments are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The instrument is used to hedge the company's exposure to foreign exchange movements. During the year, a fair value gain of £742,000 (2019: gain of £1,688,000) was recognised in other comprehensive income for changes in value of the forward currency contract. All hedging contracts were settled in 2020 therefore none in place at year end.

15 Financial instruments

	2020	2019
	£000	£000
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	3,622	5,623
Amounts owed by group undertakings	(73)	132
Cash and bank in hand	1,349	185
	<u>4,898</u>	<u>5,940</u>
Financial liabilities measured at amortised cost		
Trade creditors	1,955	4,437
Amounts owed to group companies	7,636	3,655
	<u>9,591</u>	<u>8,092</u>
Financial liabilities measured at fair value through other comprehensive income		
Derivative financial instruments	-	742

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2020, there are no outstanding contracts (2019: within 12 months of year end). The company has no further commitments to buying US\$ (2019: US\$13,184,990).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD. The fair value of the forward foreign currency contracts is a liability of nil given the contracts were settled with the year (2019: £742,000).

During the year, a hedging gain of £742,000 (2019: gain of £1,688,000) was recognised in other comprehensive income for changes in the fair value of the forward foreign currency contract.

16 Provisions for liabilities

	2020	2019
	£000	£000
Loss making contract	479	432
Dilapidations	603	603
Legal Claim	-	175
	<u>1,082</u>	<u>1,210</u>

Movements on provisions:	Loss Making Contract £000	Dilapidations £000	Legal Claim £000	Total £000
As at January 2020	432	603	175	1,210
Provision booked	-	-	-	-
Utilisation of provision	47	-	(175)	(128)
At 31 December 2020	<u>479</u>	<u>603</u>	<u>-</u>	<u>1,082</u>

Loss making contract

The company has undertaken a review of future costs of a significant program it won in 2015, and as a result has now deemed that the program cannot be produced for the hours that were originally quoted due to unforeseen circumstances in the production process. As such a provision has been recognised. The loss making contracts are expected to be fully utilised by 2022.

Dilapidations

In the year ended 31 December 2017, an independent review of both leased properties was undertaken by a firm of chartered surveyors. On their recommendation a dilapidation provision was booked for the remaining life of the leases.

Legal claim provision

The legal claim provision booked in 2019 year relates to an outstanding employment tribunal claim which was settled in April 2020. No further claims are outstanding.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Deferred taxation

The deferred tax asset was written off during FY19 given there are no taxable income forecasts to suggest the asset would be realised in future years. No deferred tax was recognised in FY20 for the same reason. A potential deferred tax asset for losses of £6,395,000 (2019: £5,460,000) has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable. The asset would be recoverable if there are sufficient and suitable taxable profits in the future.

18 Retirement benefit schemes

	2020	2019
	£000	£000
Charge to profit or loss in respect of defined contribution schemes	659	763

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

The pension charge in respect of the defined contribution scheme for the year was £659,000 (2019: £763,000). There was £52,000 contributions outstanding (2019: £68,000) at the end of the financial year.

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Share-based payment transactions

On 7 December 2011, Dynamic Precision Group, Inc. adopted the 2011 Equity Incentive Plan (the "Plan"). As of 31 December 2019, the Plan authorised up to 195,032 shares to be issued to encourage ownership of the Company's common stock through granting of awards to selected executives, directors, officers and other key employees in order to retain key individuals. Options granted under the Plan expire in ten years. The exercise price is determined by the Company's Board of Directors on each grant date. Options consist of two types of options: time options and performance options. Time options vest and become exercisable in five equal annual instalments. Performance options vest and become exercisable in five equal annual instalments based on the Company's achievement against the established EBITDA and net debt targets, subject to the Board of Directors' discretion.

The fair value of each option grant under the performance options was estimated on the date of grant using the same option valuation model used for time options and assumes the performance goals will be achieved. If such goals are not met, no compensation cost is recognised and any recognised compensation cost is reversed. The inputs for expected volatility, expected dividends and risk-free rate used in estimating performance options' fair value are the same as those used in time options.

The following tables summarise information relating to outstanding and exercisable options as of 31 December 2020 and 2019:

	Number of share options		Weighted average exercise price	
	2020 Number	2019 Number	2020 £	2019 £
Outstanding at 1 January	2,900	3,120	66.15	65.92
Exercised	(1,200)	-	62.87	-
Cancelled	(1,700)	(220)	68.47	62.87
	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>66.15</u>
Outstanding at 31 December	-	2,900	-	66.15
	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>66.15</u>
Exercisable at 31 December	-	2,900	-	66.15
	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>66.15</u>

The fair value of each share option was estimated at the date of the grant using the Black-Scholes method with following weighted-average assumptions:

	2020	2019
Weighted average share price	-	66.15
Weighted average exercise price	13.20	13.20
Expected volatility*	N/A	33.30
Expected life*	N/A	6.50
Risk free rate*	N/A	2.00
	<u>-</u>	<u>66.15</u>

*not applicable since no awards were granted in 2020 (2019: none)

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Share-based payment transactions

The fair value of the share options was estimated by management based on historical experience and assumptions they believe to be reasonable. The risk-free interest rate assumption is based on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the expected option life. The expected volatility is an average of the historical volatility of the stock prices of comparable entities whose share prices were publicly available over a period equal to the expected option life. The expected option life is based on the simplified method, which is an average of the contractual term of the option and the weighted average vesting term.

At 31 December 2020 no (2019: 2,900) options were exercisable. The Company recognised stock-based compensation credit of £Nil (2019: nil) for the year ended 31 December 2020.

20 Called up share capital

	2020	2019
	£000	£000
Ordinary share capital		
Issued and fully paid		
653,816 ordinary shares of £1 each	654	654

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses. The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Cash flow hedge reserve relates to changes in fair value related to the change in spot rate of the hedging instrument. Other reserves relates to the changes in fair value of options granted as part of the share based payment.

21 Financial commitments, guarantees and contingent liabilities

The company has contingent liabilities at 31 December 2020 of £40,000 (2019: £40,000) in respect of bank guarantees. The directors have no reason to believe that any cash outflows will occur as no defaults have occurred nor are expected. This is in place for the deferred duty and VAT so that we can pay once per month as opposed to each time we import goods.

22 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	2019
	£000	£000
Within one year	500	499
Between two and five years	1,473	1,485
In over five years	1,503	1,993
	<u>3,476</u>	<u>3,977</u>

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Capital commitments

At 31 December 2020, the company had the following capital commitments:

	2020 £000	2019 £000
Acquisition of tangible fixed assets	<u>63</u>	<u>266</u>

24 Ultimate controlling party

The immediate parent undertaking is Paradigm Burnley Holdings Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking and controlling party is Dynamic Precision Group, Inc., a company incorporated in the United States of America and owned by a consortium, comprising of controlled affiliates of, or funds managed by, The Carlyle Group.

The smallest and largest group in which the results of the company are consolidated is Dynamic Precision Group, Inc.

25 Reconciliation of operating profit to cash generated by operations

	2020 £000	2019 £000
Operating (loss)/profit	(1,818)	739
Adjustments for:		
Loss on sale of tangible fixed assets	-	26
Loss on disposal of intangible assets	-	5
Depreciation and amortisation	940	831
Decrease in provisions	<u>(126)</u>	<u>(1,134)</u>
Operating cashflow before movement in working capital	(1,004)	467
(Increase) in stocks	(744)	(958)
Decrease in debtors	2,579	2,533
Decrease/(increase) in creditors	748	(2,283)
Income taxes refunded	-	105
Net cash flows from operating activities	<u>1,579</u>	<u>(136)</u>

PARADIGM PRECISION BURNLEY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Analysis of changes in net funds

	1 January 2020 £000	Cash flows £000	31 December 2020 £000
Cash at bank and in hand	185	1,164	1,349
	<u>185</u>	<u>1,164</u>	<u>1,349</u>