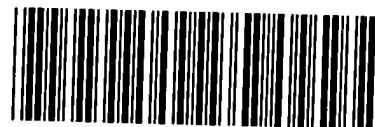


Registered number: 05137829

Paradigm Precision Burnley Ltd

**Annual report and financial statements
for the year ended 31 December 2018**

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Paradigm Precision Burnley Ltd

Company information

Directors	S Croke R B Grochowski M C Parrick A J Searle
Company secretary	7Side Secretarial Limited
Registered number	05137829
Registered office	1 Bentley Wood Way Network 65 Business Park Hapton Burnley Lancashire BB11 5TG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Hardman Square Manchester M3 3EB

Paradigm Precision Burnley Ltd

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Paradigm Precision Burnley Ltd

Strategic report for the year ended 31 December 2018

The directors present their Strategic report of the company for the year ended 31 December 2018.

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 £2,993,000 (2017: (after exceptional items) £1,231,000, (before exceptional items) £1,184,000) on turnover of £31,295,000 (2017: £29,912,000).

As at 31 December 2018 the company held net assets of £7,547,000 (2017: £12,116,000).

The fall in sales and operating profit is solely due to the technical issues faced on producing parts on the new 'Leading Edge Aviation Propulsion' ('LEAP') platform and was compounded by the falling gas market.

Principal risks and uncertainties and financial risk management

A key risk identified by management is the cash flow; the risk is mitigated by the preparation and review of a 26 week cashflow forecast, updated weekly and measures needed, actioned. We also have access to group funds if required.

Another key risk is the uncertainty caused by Brexit, which has led to volatility in foreign exchange to minimise this we have entered into foreign exchange contracts that ensure key US dollar contracts are protected.

Management believe a key risk is orderbook volatility as a result of involvement with legacy engine programmes and repair and overhaul. The company mitigates these risks by regular customer interface discussions carried out routinely and rigorous adherence to its contractual agreements which negate un-agreed schedule changes.

Financial key performance indicators

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

	2018 £000	2017 £000	Change
Turnover	31,295	29,912	4.6%
Gross profit %	28%	36%	(7%)
Loss before tax	3,007	1,310	130%
Loss before tax %	9.6%	4.4%	5.2%
Cash at bank and in hand	1,001	1,111	(9.8%)
Net assets	7,547	12,116	(37.7%)
Average number of employees	285	292	(2.1%)

Paradigm Precision Burnley Ltd

Strategic report (continued) for the year ended 31 December 2018

Future developments

The company has expanded its portfolio of customers and new products as it consolidates its position as a key supplier of new fabricated parts on the new LEAP engine programme.

With many of its new programmes transferring from the production investment to volume manufacturing phase, the company continues to review its manufacturing processes in support of the high demand on the LEAP engine. Elsewhere the portfolio of Maintenance Repairs Organisation customers has expanded. The growth potential for civil airline repair and overhaul work is now a key strategic opportunity for the business.

Within the new manufacturing area, 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 re-assembly of engine modules as well as components and this area has increased its capability to capture a more diverse product mix.

On 23 June 2016 a referendum was held and the outcome of the vote determined that the United Kingdom would leave the European Union (EU). On 29 March 2017 Article 50 was triggered, starting the two year timer on negotiating the UK's exit, as well as the post Brexit relationship with Europe from March 2019 onwards. European leaders have granted a six month extension for the UK to agree its exit terms until 31 October 2019. The specific details of how the United Kingdom will leave the EU, and its effect on the financial markets, are unclear and as such it is not possible to estimate the impact of this event.

Brexit does pose a risk to the company however the company believes that as a result of the European contracts ratified under UK law, the company will be protected as these contracts cannot be altered.

This report was approved by the board on 25/9/2019 and signed on its behalf by:

Director



R. B. Gracowski

Paradigm Precision Burnley Ltd

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

Results and dividends

The loss for the financial year amounted to £2,873,000 (2017: loss £1,143,000).

The directors do not recommend the payment of a dividend (2017: £Nil).

Going concern

The going concern basis has been used in the preparation of the financial statements as the ultimate parent undertaking, Dynamic Precision Group, Inc., has confirmed that it will provide financial support to enable the company to continue to meet its liabilities as they fall due and to continue in business for a period of at least 12 months following the signature of these financial statements.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

I W Bushell (resigned 31 October 2018)
S Croke
R B Grochowski
C Q Hughes (resigned 31 October 2018)
M C Perrick (appointed 19 November 2018)
A J Searle (appointed 19 November 2018)

Financial risk management and future developments

The financial risk management and future developments disclosures can be found in the Strategic report on pages 1 and 2.

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. In addition, copies of the financial statements are available for inspection at the company's place of business.

Disabled employees

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 members 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.

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.

Paradigm Precision Burnley Ltd

Directors' report for the year ended 31 December 2018

Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors 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 auditors are aware of that information.

Independent auditors

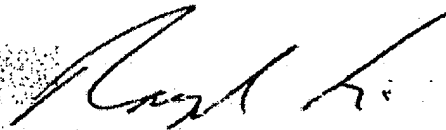
The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

25/9/

2019 and signed on its behalf by:

Director



R.B. GRUCHOWSKI

Paradigm Precision Burnley Ltd

Statement of directors' responsibilities in respect of the financial statements for the year ended 31 December 2018

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Paradigm Precision Burnley Ltd

Independent auditors' report to the members of Paradigm Precision Burnley Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Paradigm Precision Burnley Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual report"), which comprise: the Balance sheet as at 31 December 2018, the Statement of comprehensive income, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Paradigm Precision Burnley Ltd

Independent auditors' report to the members of Paradigm Precision Burnley Ltd

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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.

Auditors' 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 auditors' 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 auditors' report.

Paradigm Precision Burnley Ltd

Independent auditors' report to the members of Paradigm Precision Burnley Ltd

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

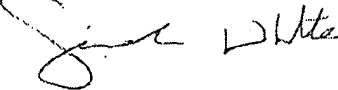
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon White (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

Date: 26 September 2019

Paradigm Precision Burnley Ltd

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	5	31,295	29,912
Cost of sales		<u>(22,328)</u>	<u>(19,010)</u>
Gross profit		8,966	10,902
Administrative expenses		(11,959)	(12,096)
Exceptional items	6	-	(37)
Operating loss	7	<u>(2,993)</u>	<u>(1,231)</u>
Interest payable and similar expenses	11	(14)	(79)
Loss before taxation		<u>(3,007)</u>	<u>(1,310)</u>
Tax on loss	12	134	167
Loss for the financial year		<u>(2,873)</u>	<u>(1,143)</u>
Other comprehensive (expense)/income for the year			
Change in value of hedging instrument	18	(2,020)	1,205
Movement on deferred tax on hedging instrument		343	(205)
Other comprehensive (expense)/income for the year		<u>(1,677)</u>	<u>1,000</u>
Total comprehensive expense for the year		<u>(4,550)</u>	<u>(143)</u>

The notes on pages 13 to 32 form part of these financial statements.

Paradigm Precision Burnley Ltd

Registered number: 05137829

**Balance sheet
as at 31 December 2018**

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	13	5	-
Tangible assets	14	3,819	4,340
		<u>3,824</u>	<u>4,340</u>
Current assets			
Stocks	15	7,852	7,903
Debtors: amounts falling due after more than one year	16	1,731	2,371
Debtors: amounts falling due within one year	16	7,723	11,899
Cash at bank and in hand		1,001	1,111
		<u>18,307</u>	<u>23,084</u>
Creditors: amounts falling due within one year	17	(12,240)	(12,894)
Net current assets		<u>6,067</u>	<u>10,190</u>
Total assets less current liabilities		<u>9,891</u>	<u>14,530</u>
Provisions for liabilities			
Provisions for liabilities	20	(2,344)	(2,414)
Net assets		<u>7,547</u>	<u>12,116</u>
Capital and reserves			
Called up share capital	22	654	654
Share premium account		6,652	6,652
Cash flow hedge reserve		(2,017)	(340)
Other reserves		70	89
Retained earnings		2,188	5,061
Total equity		<u>7,547</u>	<u>12,116</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25/9/2019.

Director

RB Gnochowski
RB Gnochowski

The notes on pages 13 to 32 form part of these financial statements.

Paradigm Precision Burnley Ltd

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Share premium account	Cash flow hedge reserve	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2018	654	6,652	(340)	89	6,061	12,116
Loss for the financial year	-	-	-	-	(2,873)	(2,873)
Change in value of hedging instrument	-	-	(2,020)	-	-	(2,020)
Deferred tax on hedging instrument	-	-	343	-	-	343
Total comprehensive expense for the year	-	-	(1,677)	-	(2,873)	(4,550)
Share based payment transactions	-	-	-	(19)	-	(19)
At 31 December 2018	654	6,652	(2,017)	70	2,188	7,547

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital	Share premium account	Cash flow hedge reserve	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2017 - restated	654	6,652	(1,340)	64	6,204	12,234
Loss for the financial year	-	-	-	-	(1,143)	(1,143)
Change in value of hedging instrument	-	-	1,205	-	-	1,205
Deferred tax on hedging instrument	-	-	(205)	-	-	(205)
Total comprehensive expense for the year	-	-	1,000	-	(1,143)	(143)
Share based payment transactions	-	-	-	25	-	25
At 31 December 2017	654	6,652	(340)	89	5,061	12,116

The notes on pages 13 to 32 form part of these financial statements.

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Paradigm Precision Burnley Ltd

Statement of cash flows for the year ended 31 December 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Loss for the financial year	(2,873)	(1,143)
Adjustments for:		
Amortisation of intangible assets	-	1
Depreciation of tangible assets	876	872
(Profit)/loss on disposal of tangible assets	(5)	1
Share based payments charge	(19)	25
Interest payable and similar charges	14	79
Research and development tax credit	(59)	-
Tax refund	103	-
Tax on loss	(134)	(167)
Decrease/(increase) in stocks	51	(1,988)
Decrease in debtors	5,048	184
(Decrease)/increase in creditors	(2,873)	1,703
(Decrease)/increase in provisions	(70)	831
Net cash generated from operating activities	<u>259</u>	<u>398</u>
Cash flows from investing activities		
Purchase of intangible assets	(5)	-
Purchase of tangible assets	(355)	(492)
Proceeds from disposals of tangible assets	6	-
Net cash from investing activities	<u>(355)</u>	<u>(492)</u>
Cash flows from financing activities		
Interest paid	(14)	(79)
Net cash used in financing activities	<u>(14)</u>	<u>(79)</u>
Net decrease in cash and cash equivalents	<u>(110)</u>	<u>(173)</u>
Cash and cash equivalents at beginning of year	1,111	1,284
Cash and cash equivalents at the end of year	<u>1,001</u>	<u>1,111</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,001	1,111
	<u>1,001</u>	<u>1,111</u>

The notes on pages 13 to 32 form part of these financial statements.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

1. General information

Paradigm Precision Burnley Ltd (the company) operates solely in the Aerospace and Industrial Gas turbine markets.

The company is a private company limited by shares and is incorporated in United Kingdom and domiciled in England and Wales. The address of its registered office is 1 Bentley Wood Way, Network 65 Business Park, Hapton, Burnley, Lancashire, BB11 5TG.

2. Statement of compliance

The financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis and under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed in note 4.

3.2 Going concern

The going concern basis has been used in the presentation of the financial statements as the ultimate parent undertaking, Dynamic Precision Group, Inc., has confirmed that it will provide financial support to enable the company to continue to meet its liabilities as they fall due and to continue in business for a period of at least 12 months following the signature of these financial statements.

3.3 Foreign currency translation

(i) Functional and presentation currency

The company's functional and presentational currency is Pound sterling. All amounts in these financial statements have been rounded to the nearest thousand unless otherwise indicated.

(ii) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.4 Turnover and long term contracts

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.

Turnover on long term contracts is recognised in the accounting period in which the services are rendered when the outcome of the contracts can be reliably estimated. The company uses the percentage of completion method based on the actual service performed as a percentage of the total services to be provided.

3.5 Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.6 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.

(iii) Share based incentives

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 reserve' 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 installments.

(ii) Performance options

Performance options vest and become exercisable in five equal annual installments based on the company's achievement against the established equity 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.

3.7 Research and development

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

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.8 Interest payable and similar expenses

Interest payable is charged to the statement of comprehensive income over the term of the debt using the effective interest method.

3.9 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 directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

(i) 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 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.

(ii) 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 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 year end and that are expected to apply to the reversal of the timing difference.

3.10 Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, on a straight line basis of 20 - 33.33%.

The assets are reviewed for impairment if factors indicate that the carrying amount may be impaired.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.11 Tangible assets

Tangible assets are recognised at cost and subsequently stated at cost less accumulated depreciation. Cost includes the original purchase price, costs directly attributed to bringing the asset to its working conditions for its intended use, dismantling and restoration costs.

Depreciation is provided at rates calculated to write off the rest of fixed assets, less their estimated residual value, on the following basis:

Short-term leasehold buildings	- 2% straight line
Plant and machinery	- 10-25% straight line
Motor vehicles	- 33.33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised within 'administrative expenses' in the statement of comprehensive income.

3.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to 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.

3.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held with banks. Bank overdrafts are shown within borrowings in creditors.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.14 Provisions and contingencies

(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 expenditures 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.

3.15 Financial instruments

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

(i) 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.

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.

If there is 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 the statement of comprehensive income.

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 party or (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.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.15 Financial Instruments (continued)

(i) 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.

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

(ii) 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.

(iv) Hedging arrangements

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

Changes in the fair values of derivatives 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.

3.16 Share capital

Ordinary shares are classified as equity.

3.17 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 for the year ended 31 December 2018

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provisions

The company makes an estimate of the present value of the dilapidation provision which relates to estimated costs to be incurred to return the currently occupied leased premises to a condition equivalent to that prior to occupation. The company assesses the valuation at each reporting date. See note 20.

(ii) Useful economic lives of intangible and tangible assets

The annual depreciation and amortisation charge for intangible and tangible assets respectively are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 13 and 14 for the carrying amount of the intangible and tangible assets and notes 3.10 and 3.11 for the useful economic lives for each class of assets.

(iii) 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. See note 15 for the net carrying amount of the stock and associated provision.

(iv) Contingent liabilities

The management exercises judgement in measuring the exposures to contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of financial settlement.

(v) Fair value measurement of derivatives

The company estimates fair value using valuation techniques that utilise observable inputs. The determination of what constitutes 'observable' requires significant judgement by the company. The company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

5. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Sales of goods	25,713	23,168
Services	5,582	6,744
	<u>31,295</u>	<u>29,912</u>

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	12,896	14,561
Rest of European Union	7,040	3,713
Rest of World	11,259	11,638
	<u>31,295</u>	<u>29,912</u>

6. Exceptional items

	2018 £000	2017 £000
Closure costs	-	37

The exceptional items were as a result of the company closing the facility at Churchill Way and moving the facility to the primary site at Network 65 Hapton during the prior year.

7. Operating loss

The operating loss is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of tangible assets	876	872
Inventory charged to cost of sales	26,548	27,841
Amortisation of intangible assets	-	1
Operating lease charges	286	429
Foreign exchange losses/(gains)	687	(453)
(Profit)/loss on sale of tangible assets	(5)	1
Management fee	691	550

The management fee represents a recharge from Dynamic Precision Group Inc, the ultimate parent undertaking and controlling party.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

8. Auditors' remuneration

	2018 £000	2017 £000
Fees payable to the company's auditors for the audit of the company's annual financial statements	42	42
Fees payable to the company's auditors in respect of:		
- taxation compliance services	10	10
- all other services	8	8
	<u>60</u>	<u>60</u>

9. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2018 £000	2017 £000
Wages and salaries	11,229	10,340
Social security costs	944	989
Other pension costs	831	835
Share based payment transactions	(19)	25
	<u>13,023</u>	<u>12,139</u>

The company recognised a stock-based compensation credit of £19,000 for the year ended 31 December 2018 as two of the directors left the scheme in 2018 and their options expired.

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Manufacturing	265	248
Engineering	20	29
Sales and administrative	12	15
	<u>297</u>	<u>292</u>

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

10. Directors' remuneration

	2018 £000	2017 £000
Aggregate emoluments	349	412
Company contributions to defined contribution pension schemes	18	17
Compensation for loss of office	272	-
	<u>639</u>	<u>429</u>

During the year post-employment benefits were accruing to 3 (2017: 2) directors under a defined contribution pension scheme and 3 (2017: 2) directors held qualifying service shares under long term incentive schemes.

During the year no (2017: no) directors exercised share options.

The highest paid director received remuneration of £401,000 (2017: £262,000).

	2018 £000	2017 £000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	<u>401</u>	<u>252</u>

During the year the highest paid director exercised no (2017: no) share options.

At 31 December 2018, there were no (2017: no) accrued or prepaid pension contributions in respect of the highest paid director.

At 31 December 2018 the highest paid director was paid £187,000 as compensation for loss of office.

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.

11. Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable to group undertakings	<u>14</u>	<u>79</u>

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

12. Tax on loss

	2018 £000	2017 £000
Income tax		
Adjustments to tax charge in respect of prior periods	52	10
Deferred tax		
Origination and reversal of timing differences	(153)	(157)
Effects of changes to tax rates	16	18
Adjustments to tax charge in respect of prior periods	(49)	(38)
Total deferred tax	(185)	(177)
Tax on loss	(134)	(167)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before tax	(3,007)	(1,310)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(571)	(252)
Effects of:		
Expenses not deductible for tax purposes	18	22
Unprovided deferred tax asset	380	138
Adjustment to tax charge in respect of prior periods	3	(28)
Effects of changes in tax rates	16	18
Income not taxable	20	(16)
RDEC	-	(49)
Total tax credit for the year	(134)	(167)

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

12. Tax on loss (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred rates at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Intangible assets

	Software £000
Cost	
At 1 January 2018	647
Additions	5
At 31 December 2018	<u>652</u>
Amortisation	
At 1 January and 31 December 2018	<u>647</u>
Net book value	
At 31 December 2018	<u>5</u>
At 31 December 2017	<u>-</u>

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

14. Tangible fixed assets

	Short-term leasehold buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2018	1,659	18,429	52	20,140
Additions	-	333	22	355
Disposals	-	-	(15)	(15)
At 31 December 2018	1,659	18,762	59	20,480
Accumulated depreciation				
At 1 January 2018	1,659	14,090	51	15,800
Charge for the year	-	872	4	876
Disposals	-	-	(15)	(15)
At 31 December 2018	1,659	14,962	40	16,661
Net book value				
At 31 December 2018	-	3,800	19	3,819
At 31 December 2017	-	4,339	1	4,340

15. Stocks

	2018 £000	2017 £000
Stocks - raw materials	3,630	3,673
Work in progress	4,213	3,932
Finished goods and goods for resale	9	298
	7,852	7,903

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

Stocks are stated after provisions for impairment of £1,273,000 (2017: £1,000,000).

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

16. Debtors

	2018 £000	2017 £000
Due in more than one year		
Amounts owed by group undertakings	-	1,169
Deferred tax asset (see note 19)	1,731	1,202
	<u>1,731</u>	<u>2,371</u>
	2018 £000	2017 £000
Due within one year		
Trade debtors	5,324	4,175
Amounts owed by group companies	710	6,225
Other debtors	862	169
Corporation tax	105	202
Prepayments and accrued income	722	928
	<u>7,723</u>	<u>11,699</u>

Trade debtors are stated after provisions for impairment of £Nil (2017: £414,000).

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

17. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	3,883	3,922
Amounts owed to group undertakings	4,328	7,475
Taxation and social security	309	323
Other creditors	1,313	765
Derivative financial instruments	2,429	409
	<u>12,240</u>	<u>12,894</u>

Amounts owed to group undertakings are unsecured and repayable on demand. £3,046,000 (2017: £5,171,000) and £Nil (2017: £689,000) of amounts owed to group undertakings bear interest at 6% and 2% respectively. All other amounts 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 loss of £2,020,000 (2017: gain of £1,205,000) was recognised in other comprehensive income for changes in value of the forward currency contract.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

18. Financial Instruments

The company has the following financial instruments:

	2018 £000	2017 £000
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	5,324	4,175
Amounts owed by group undertakings	710	7,394
Cash and bank in hand	1,001	1,111
	<u>7,035</u>	<u>12,680</u>
	2018 £000	2017 £000
Financial liabilities measured at amortised cost		
Trade creditors	3,863	3,922
Amounts owed to group companies	4,326	7,475
Other taxation and social security	310	323
Other creditors	858	711
	<u>9,357</u>	<u>12,431</u>
	2018 £000	2017 £000
Financial liabilities measured at fair value through other comprehensive income		
Derivative financial instruments	2,429	409
	<u>2,429</u>	<u>409</u>

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2018, the outstanding contracts mature within 12, 24 and 36 months (2017: 12, 24 and 36 months) of the year end. The company is committed to buying US\$28,180,000 and pay a fixed sterling amount (2017: US\$33,400,000).

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 £2,429,000 (2017: £409,000).

During the year, a hedging loss of £2,020,000 (2017: gain of £1,205,000) was recognised in other comprehensive income for changes in the fair value of the forward foreign currency contract.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

19. Deferred taxation

	2018 £000	2017 £000
At beginning of year	1,202	1,230
Credited to the profit and loss account	137	139
Credited/(charged) to other comprehensive income	343	(205)
Adjustment in respect of prior periods	48	38
At end of year	<u>1,731</u>	<u>1,202</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Fixed asset timing differences	1,267	1,083
Short term timing differences	413	70
Revaluations/fair value adjustments	-	49
R&D expenditure credit	51	-
	<u>1,731</u>	<u>1,202</u>

A potential deferred tax asset for losses and short term timing differences of £4,325,000 (2017: £4,030,000) 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.

20. Provisions for liabilities

	Loss making contract £000	Dilapidations £000	Total £000
At 1 January 2018	1,811	603	2,414
Credited to the profit and loss account	(70)	-	(70)
At 31 December 2018	<u>1,741</u>	<u>603</u>	<u>2,344</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 used by 2020.

Dilapidations

In the year ended 31 December 2011, 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.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

21. Share based payments

2011 Equity Incentive Plan

On 7 December 2011, Dynamic Precision Group, Inc. adopted the 2011 Equity Incentive Plan (the "Plan"). As of 31 December 2018, the Plan authorized up to 185,032 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 installments. Performance options vest and become exercisable in five equal annual installments 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 summarize information relating to outstanding and exercisable options as of 31 December 2018 and 2017:

	Weighted average exercise price 2018	Number 2018	Weighted average exercise price 2017	Number 2017
Outstanding at the beginning of the year	£67.83	8,000	£67.83	8,000
Granted during the year	-	-	-	-
Cancelled during the year	£69.05	(4,880)	-	-
Outstanding at the end of the year	£65.92	3,120	£67.83	8,000

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

	2018	2017
Stock price (£)	65.92	67.83
Estimated forfeiture rate (%)	13.2	13.2
Expected option life (years)	6.5 - 10	6.5 - 10
Expected stock price volatility (%)	33.3 - 43	33.3 - 43
Risk-free interest rate (%)	2 - 2.5	2 - 2.5

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

21. Share based payments (continued)

The fair value of the stock 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 stock 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 2018, 3,120 (2017: 2,480) options were exercisable. The Company recognised stock-based compensation credit of £18,000 for the year ended 31 December 2018 and a stock-based compensation expense of £25,000 for the year ended 31 December 2017. At 31 December 2018, there was approximately no (2017: £17,000) unrecognised compensation cost related to non-vested stock options.

22. Called up share capital

	2018 £000	2017 £000
Alotted and fully paid 653,816 (2017: 653,816) ordinary shares of £1 each	<u>654</u>	<u>654</u>

23. Contingent liabilities

The company has contingent liabilities at 31 December 2018 of £40,000 (2017: £40,000) in respect of bank guarantees. The directors have no reason to believe any cash outflows will occur as no defaults have occurred nor are expected.

24. Capital commitments

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

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	<u>198</u>	<u>159</u>

25. Pension commitments

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 £831,000 (2017: £835,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Paradigm Precision Burnley Ltd

Notes to the financial statements for the year ended 31 December 2018

26. Commitments under operating leases

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	423	287
Later than 1 year and not later than 5 years	1,910	1,881
Later than 5 years	2,375	2,375
Total	4,708	4,523

27. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Paradigm Burnley 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.