

Registration number: 03109235

# The Automated Technology Group Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2020

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**The Automated Technology Group Limited**  
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# **The Automated Technology Group Limited**

## **Strategic Report for the Year Ended 31 December 2020**

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

### **Principal activities**

The principal activities of the company during the year were;

- Controls - the concept, simulation, design, manufacture and installation of complex, high value automation and control systems, with main markets being automotive, material handling, aerospace and food and beverage.
- Power - the development, design, manufacture and installation of low and medium voltage electrical control systems for process, utility and heavy industry sectors.

Subsequent to the year end, the Directors completed a review of diversification within adjacent and existing markets and clients. As a result of this review, the Directors implemented a restructuring of the business to refocus future activities within the controls sector, including the growing nuclear controls business, and withdrawal from the power business.

### **Fair review of the business**

Revenue has decreased by 20% to £23,676,000 (2019: £29,620,000). This is mainly down to projects being halted or delayed due to the Covid 19 pandemic.

The loss for the year, after taxation, amounted to £4,875,000 (2019: £2,759,000 loss).

### **Environmental matters**

Wood is committed to the highest of standards of health, safety, environmental and security management (“HSSE”). Our aim is to comply with all applicable legislation and relevant industry standards. In the absence of regulatory controls we set our own internal standards.

Our HS&E policy defines our commitment to:

- Protecting the health and safety of our employees and others who may be affected by our business activities;
- Reducing the environmental impact of operations under our control or direct influence; and
- Continually improving our health, safety and environmental performance.

Our goal is to sustain an incident free work environment, as we believe that all incidents are preventable.

Every person working for the company is responsible and accountable for working in a manner consistent with this goal. To achieve this we:

- Create a positive HS&E culture;
- Encourage and support positive intervention;
- Understand and manage HS&E risks;
- Implement an effective HS&E Management System;
- Manage HS&E performance; and
- Integrate HS&E into business planning

Our aim is to comply with all applicable legislation and relevant industry standards. In the absence of such regulatory controls we set standards consistent with this policy.

We are a socially responsible employer. We work with our customers, contractors, partners and suppliers to improve the efficiency of our operations by conserving resources, reducing waste and emission, and preventing environmental pollution.

We seek sustainable solutions to business needs, balancing environmental, social and economic considerations by engaging with employees, customers, partners, contractors, suppliers and communities where we work.

## **The Automated Technology Group Limited**

### **Strategic Report for the Year Ended 31 December 2020 (continued)**

We have a Safety, Assurance and Business Ethics (SABE) committee that is responsible for providing governance in relation to group-wide and business specific HSSE performance, risk management, assurance and business ethics. The primary focus of the committee is to ensure that HSSE and Business Ethics risks are understood, managed and that our supporting systems and assurance activities are suitable, adequate and effective.

Refer to the John Wood Group PLC 2020 Annual Report and Financial Statements for further details, including activities in 2020.

#### **Company employees**

Wood is committed to attracting, retaining, developing and mobilising the right people to the right place at the right cost. We aim to create an environment where people choose to stay with us for the long-term by having excellent leaders, high engagement and development opportunities, supported by fair and competitive remuneration. Our success depends entirely on the strength of our people, their skillset and values. Our ability to identify, promote and mobilise our people is important to the long-term health of the organisation.

Wood aims to achieve a competitive advantage through our workforce planning model, connecting the business strategy with our people strategy, ensuring maximum utilisation and mobility of company talent. We attract and select the best people by ensuring our global and regional resourcing strategies deliver an efficient and cost effective service to our stakeholders.

We provide meaningful performance-based recognition programmes to drive organisational results, recognise high performance among employees and value employee contributions.

The company endorses and supports the principles of equal employment opportunity. To ensure these are adhered to, the People and Organisation department has set down a number of policies, including:

- equal employment opportunities to all qualified individuals;
- disabled persons receive full and fair consideration for employment and subsequent training, career development and promotion on the basis of their attitudes and abilities; and
- all employment decisions are made on a non-discriminatory basis.

#### **Principal risks and uncertainties**

The company has continued to work to improve its systems of internal control with weekly management meetings and monthly business review meetings. This gives the opportunity for risks and uncertainties to be discussed and addressed on a regular basis. The board of directors reviews and documents the principal risks as part of the budget setting process.

Details of the company's financial risk management objectives and policies are included in note 20 to the financial statements.

**The Automated Technology Group Limited**  
**Strategic Report for the Year Ended 31 December 2020 (continued)**

**Section 172(1) statement**

**a) The likely consequences of any decisions in the long term;**

The company are engaged in:

- Controls - the concept, simulation, design, manufacture and installation of complex, high value automation and control systems, with main markets being automotive, material handling, aerospace and food and beverage.
- Power - the development, design, manufacture and installation of low and medium voltage electrical control systems for process, utility and heavy industry sectors.

The company consistently considers the long term impact of its decisions as can be noted from the following examples:

- Client feedback helps us to continually improve our performance. The insight from client engagement helps to inform company operational, business development and long-term strategic direction;
- Our clearly defined purpose and strategy, underpinned by our culture, is fundamental to sustaining value over the longer-term; and
- Our robust risk governance and operations assurance policies and processes ensure the long term sustainability for all our stakeholders.

**b) The interest of the company's employees;**

Our employees are fundamental to the delivery of the company's services and therefore to the long-term success of the business. It is important to develop our employees and keep them engaged and motivated. We engage with our workforce so that we can understand and address areas where we need to improve to ensure we deliver rewarding careers and retain our talented people.

Wood Group's leadership plays an important role in establishing and promoting the company's values and culture.

Wood Group has an all employee global survey to ask what we do well and what could be done better.

Wood Group has established a Listening Group Network (LGN) with meetings, attended by non-executive directors and members of the Executive Leadership Team (ELT), held throughout the year.

**The Automated Technology Group Limited**  
**Strategic Report for the Year Ended 31 December 2020 (continued)**

**c) The need to foster the company's business relationships with suppliers, clients and others;**

As a wholly owned subsidiary within John Wood Group plc, the company benefits from the Group's approach on client service, supplier service and service towards other stakeholders.

**Clients**

On the client side the company's long-term success is underpinned by our clients and the delivery of predictable project outcomes that are aligned to our clients' requirements. To deliver a great service, we listen to our clients to make sure we are leveraging our scale, global reach and technical depth.

**How we engage**

Client engagements are managed through our structured Client Management Framework (CMF) by dedicated account managers with specific account planning and objectives.

**Areas of engagement and outcomes**

Client feedback helps us to continually improve our performance. The insight from client engagement helps to inform company operational, business development and long-term strategic direction.

**Suppliers**

Our suppliers are fundamental to our ability to deliver services to our clients safely, on time, within budget and to the quality standards we and our clients expect.

**How we engage**

Relationships with suppliers are developed at all levels within the organisation through daily business activities and regular meetings, however we engage in Supplier Relationship Management (SRM) with our strategic suppliers.

**Areas of engagement and outcomes**

Wood Group takes our relationships with our suppliers seriously. We review a number of KPIs/performance measures (e.g. HSSE incidents, quality, delivery, spend) as well as utilising due diligence to identify risks and work with our suppliers to close any gaps. We discuss matters including performance issues, training and innovations and upcoming projects to help us align business goals. In 2020, our environmental incident reporting system will include additional fields to gather information on equipment failure to allow issues to be addressed with suppliers.

**Lenders**

The company's long-term success is dependent on its good relationship with its lenders and their continued willingness to lend.

**How we engage**

With our lenders a mixture of formal and informal meetings and presentations are held. Key topics include financial performance, strategy and risk management. Lenders are kept up to date with financial performance and have the opportunity to ask further questions.

**The Automated Technology Group Limited**  
**Strategic Report for the Year Ended 31 December 2020 (continued)**

**d) The impact of the company's operations on the environment and the community;**

**Environment**

Further information on our environmental performance and ongoing strategy is contained in the Wood Group's annual sustainability report which is available at: [woodplc.com/sustainability](http://woodplc.com/sustainability).

Managing, protecting and enhancing our environment is imperative to the sustainability of our business and the standards we set and help shape the performance, profitability and the reputation of the Company.

How we engage

Wood Group has an integrated HSSEA management system which provides the framework for how we manage environmental risks and how we align our business to ISO14001:2015.

Areas of engagement and outcomes

Wood Group engage with regulators throughout the jurisdictions we operate in to ensure a close working relationship on our projects related to operational permits and licences, greenhouse gas emissions, discharges and waste management. Engagement ensures best practice and learning is shared and embedded into the projects we undertake.

**Community**

Our activities put us at the heart of local communities and we recognise that by actively supporting our local communities we:

- Develop closer ties based on mutual respect, trust and understanding;
- Bring long-term sustainability to the locations where we do business; and
- Form lasting relationships with local communities.

How we engage

We have taken a three-tiered approach to community engagement:

- (1) Supporting employee personal choice charities;
- (2) Uniting Wood Group's business behind one global cause that demonstrates we are stronger together; and
- (3) Volunteering to support our communities at a local level.

Areas of engagement and outcomes

We recognise that our employees are best placed to understand the needs of the communities we operate in and we support their volunteering efforts to benefit local communities.

**The Automated Technology Group Limited**  
**Strategic Report for the Year Ended 31 December 2020 (continued)**

**e) The desirability of the company maintaining a reputation for high standards of business conduct;**

Our commitment to sustaining a visible, continually improving ethical culture remained strong throughout 2020.

Leaders across the organisation play a key role in delivering Wood's Ethics & Compliance (E&C) programme by emphasising ethical behaviour to our workforce and embedding Wood's E&C policies and procedures into our operations. In 2020, operational leaders across the business sponsored campaigns to raise awareness of behavioural expectations.

The importance of doing the right thing is reinforced in Wood Group's Code of Conduct which sets clear expectations for ethical business practices and guides employees how to respond if faced with ethical decisions. It also provides several "speak up resources" and encourages employees to report anything they feel does not reflect Wood Group's values, policies or the law. A number of E&C training and communication initiatives, including leadership webinars and face to face engagement sessions, both for targeted populations and the wider workforce, were used to further embed key concepts from the Code of Conduct, the importance of speaking up and Wood's zero-tolerance policy on retaliation.

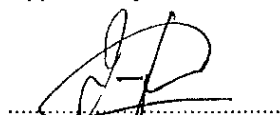
Compliance with the Code of Conduct and supporting policies and procedures is mandatory for all directors, officers and employees as well as contractors, consultants, representatives, intermediaries and agents retained by Wood. Any reports of non-compliance are investigated and appropriate action taken, up to and including termination of the business relationship.

**f) The need to act fairly as between members of the company;**

The company has only one shareholder, Automated Technology Group Holdings Limited. The ultimate parent company is John Wood Group PLC.

Refer to the John Wood Group PLC 2020 Annual Report and Financial Statements for details of how the Group act fairly between members of the company.

Approved by the Board on 19 April 2022 and signed on its behalf by:



IA Jones  
Company secretary

**The Automated Technology Group Limited**  
**Directors' Report for the Year Ended 31 December 2020**

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

**Directors**

The directors, who held office during the year, were as follows:

LJ Hinder

S Litchfield (resigned 8 April 2022)

N Brookes (resigned 31 March 2020)

A Robinson (resigned 31 March 2020)

D Ashford (resigned 30 September 2020)

IP Farmer (resigned 25 January 2021)

MW Siddle (appointed 16 November 2020 and resigned 21 June 2021)

The following director was appointed after the year end:

AP James (appointed 21 June 2021)

**Results and dividends**

The loss for the year, after taxation, amounted to £4,875,000 (2019: £2,759,000 loss).

The directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: £nil).

**Future developments**

Subsequent to the year end, the Directors completed a review of diversification within adjacent and existing markets and clients. As a result of this review, the Directors implemented a restructuring of the business to refocus future activities within the controls sector and withdrawal from the power business. This restructuring necessitated the closure of two locations and a reduction and refocusing of the workforce to meet the demands of the restructured controls activities, including the growing nuclear controls business. This restructuring was ongoing throughout 2021 and was largely complete by the first quarter of 2022.

**Engagement with employees, suppliers, customers and others**

Relationships with stakeholders are of strategic importance to the company and these matters are therefore dealt with in the strategic report (under section 172 obligations).

**Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**Going concern**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**The Automated Technology Group Limited**  
**Directors' Report for the Year Ended 31 December 2020 (continued)**


**Important non adjusting events after the financial period**

Since 31 December 2020, as part of the restructuring referred to under Future Developments above, in 2021 the company made exceptional restructuring cost and redundancy provisions relating to the restructuring of the controls business and withdrawal from the power business of £4,317,000.

**Disclosure of information in the strategic report**

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013, a strategic report and the company's results, activities, objectives, policies and risks has been included on page 1 and 6 of the financial statements.

Approved by the Board on 19 April 2022 and signed on its behalf by:



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IA Jones  
Company secretary

## **The Automated Technology Group Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal control, determined as necessary, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**The Automated Technology Group Limited**  
**Income Statement for the Year Ended 31 December 2020**

	Note	2020 £ 000	2019 £ 000
Revenue	4	23,676	29,620
Cost of sales		<u>(26,125)</u>	<u>(28,535)</u>
Gross (loss)/profit		(2,449)	1,085
Administrative expenses		<u>(2,196)</u>	<u>(3,290)</u>
Operating loss	5	(4,645)	(2,205)
Finance expense	6	<u>(230)</u>	<u>(296)</u>
Loss before tax		(4,875)	(2,501)
Income tax expense	10	<u>-</u>	<u>(258)</u>
Loss for the year		<u><u>(4,875)</u></u>	<u><u>(2,759)</u></u>

The above results were derived from continuing operations.

The notes on pages 14 to 33 form an integral part of these financial statements.

**The Automated Technology Group Limited**

**(Registration number: 03109235)**

**Balance Sheet as at 31 December 2020**

		31 December 2020 £ 000	31 December 2019 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	243	432
Right of use assets	12	1,893	1,333
Intangible assets	13	15	75
		2,151	1,840
<b>Current assets</b>			
Inventories	14	170	202
Trade and other receivables	15	16,789	19,223
Cash and cash equivalents		188	594
		17,147	20,019
Total assets		19,298	21,859
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	21	-	-
Profit and loss account		4,153	9,028
		4,153	9,028
<b>Non-current liabilities</b>			
Non-current lease liability	17	1,472	1,072
Provisions	18	128	88
		1,600	1,160
<b>Current liabilities</b>			
Current lease liability	17	619	431
Trade and other payables	19	5,849	7,663
Loans and borrowings	16	7,077	3,577
		13,545	11,671
Total liabilities		15,145	12,831
Total equity and liabilities		19,298	21,859

The notes on pages 14 to 33 form an integral part of these financial statements.

**The Automated Technology Group Limited**  
**(Registration number: 03109235)**  
**Balance Sheet as at 31 December 2020 (continued)**

For the financial year ending 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 19 April 2022 and signed on its behalf by:



.....  
LJ Hinder  
Director

The notes on pages 14 to 33 form an integral part of these financial statements.

**The Automated Technology Group Limited**  
**Statement of Changes in Equity for the Year Ended 31 December 2020**

	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2020	-	9,028	9,028
Loss for the year	-	(4,875)	(4,875)
Total comprehensive income	-	(4,875)	(4,875)
At 31 December 2020	-	4,153	4,153
	<b>Share capital £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2019	-	11,904	11,904
Adjustment on initial application of IFRS 16	-	(153)	(153)
At 1 January 2019 (As restated)	-	11,751	11,751
Loss for the year	-	(2,759)	(2,759)
Total comprehensive income	-	(2,759)	(2,759)
Share based payment transactions	-	36	36
At 31 December 2019	-	9,028	9,028

The notes on pages 14 to 33 form an integral part of these financial statements.

# The Automated Technology Group Limited

## Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020

### 1 General information

The company is a private company limited by share capital, incorporated in England and Wales and domiciled in England.

The address of its registered office is:

Booths Park  
Chelford Road  
Knutsford  
WA16 8QZ

The address of its principal place of business is:

Wrest Park  
Silsoe  
Bedfordshire  
MK45 4HS

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

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.

#### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities measured at fair value through the income statement, and in accordance with the Companies Act 2006.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

#### Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment'.
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' to present comparative information requirements in respect of paragraphs 79(a)(iv) of IAS 1, 73(e) of IAS 16, 'Property, plant and equipment' and 118(e) of IAS 38, 'Intangible assets'.
- Paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136 of IAS 1, 'Presentation of financial statements'.
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'.

## The Automated Technology Group Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

- Paragraphs 17 and 18A of IAS 24, 'Related party disclosures', to disclose key management compensation.
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets'.

#### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements.

#### Revenue recognition

Revenue comprises the fair value of the consideration specified in a contract with a customer and is stated net of sales taxes (such as VAT) and discounts. The company recognises revenue when it transfers control over a good or service to a customer.

With regard to cost reimbursable projects and lump sum projects, further detail is provided below about the nature and timing of the satisfaction of performance obligations in contracts with customers, including payment terms and related revenue recognition policies.

##### Cost reimbursable projects

Revenue is recognised over time as the services are provided based on contractual rates per man hour in respect of multi-year service contracts. The amount of variable revenue related to the achievement of key performance indicators (KPIs) is estimated at the start of the contract, but any revenue recognised is constrained to the extent that is highly probable there will not be a significant reversal in future periods.

##### Lump sum or fixed price contracts

Revenue on fixed price or lump sum contracts for services, construction contracts and fixed price long-term service agreements is recognised over time, according to the stage of completion reached in the contract, by measuring the proportion of costs incurred for work performed to total estimated costs.

Revenue in respect of variations is recognised when the variation is approved by both parties to the contract. To the extent that a change in scope has been agreed but the corresponding change in price has not yet been agreed, then revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur.

A claim is an amount that the contractor seeks to collect from the customer as a reimbursement for costs whose inclusion in the contract price is disputed, and may arise from, for example, delays caused by the customer, errors in specification or design and disputed variations in contract work. Claims are also a source of variable consideration and are included in contract revenue only to the extent that it is highly probable that a significant reversal of revenue will not occur. Appropriate legal advice is taken in advance of any material revenue being recognised in respect of claims.

The related contract costs are recognised in the income statement when incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

## The Automated Technology Group Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### Finance income and costs policy

Interest income and expense is recorded in the same income statement in the period to which it relates. Arrangement fees and expenses in respect of the company's debt facilities are amortised over the period which the company expects the facility to be in place. Interest relating to the unwinding of discount on deferred and contingent consideration, IFRS 16 lease liabilities and asbestos liabilities is included in finance expense. Interest expense and interest income on scheme assets relating to the company's retirement benefit schemes are also included in finance income and expense.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets; or
- The amortised cost of the financial liability.

##### Foreign currency transactions and balances

Transactions in foreign currencies are translated into the relevant functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. Any exchange differences are taken to the income statement.

##### Tax

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity as appropriate.

A current tax provision is recognised when the company has a present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. In line with IFRIC 23, depending on the circumstances, the provision is either the single most likely outcome, or a probability weighted average of all potential outcomes. The provision incorporates tax and penalties where appropriate. Separate provisions for interest are also recorded. Interest in respect of the tax provisions is not included in the tax charge, but disclosed within profit before tax.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on PP&E, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred tax.

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**2 Accounting policies (continued)**

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and it is intended that they will be settled on a net basis.

**Exceptional items**

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the company's financial performance. Transactions which may give rise to material exceptional items include gains and losses on divestment of businesses, write downs or impairments of assets including goodwill, restructuring or regulatory costs or provisions, litigation settlements, tax provisions or payments, provisions for onerous contracts and acquisitions and divestment costs. The tax impact on these transactions is shown separately in the exceptional items note to the financial statements.

**Property, plant and equipment**

Property, plant and equipment (PP&E) is stated at cost less accumulated depreciation and impairment. No depreciation is charged with respect to freehold land and assets in the course of construction.

**Depreciation**

Land is not depreciated and depreciation on other assets is calculated using the straight-line method over the following estimated useful lives of assets:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Land and buildings	5 years
Other property, plant and equipment	1 to 10 years

When estimating the useful life of an asset group, the principal factors the company takes into account are the durability of the assets, the intensity at which the assets are expected to be used and the expected rate of technological developments. Asset lives and residual values are assessed at each balance sheet date.

Refer to the Leases policy for the company's policy with respect to the right of use assets.

**Intangible assets**

Intangible assets other than goodwill are carried at cost less accumulated amortisation. Intangible assets are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. Where the company acquires a business, intangible assets on acquisition are identified and evaluated to determine the carrying value on the acquisition balance sheet.

**Amortisation**

Intangible assets are amortised over their estimated useful lives on a straight-line basis, as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Software licences	Over the licence term

## The Automated Technology Group Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### Impairment

The company performs impairment reviews in respect of PP&E and intangible assets whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than its carrying amount.

##### Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term bank deposits with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities. The company presents balances that are part of a pooling arrangement on a gross basis in both cash and short-term borrowings.

##### Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

The company recognises loss allowances for Expected Credit Losses ('ECLs') on trade receivables and gross amounts due from customers, measured at an amount equal to lifetime ECLs. ECLs are a profitability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes a customer being in significant financial difficulty or a breach of contract such as a default. The gross carrying amount of a financial asset is written off when the company has no reasonable expectation of recovering a financial asset in its entirety or a proportion thereof. For individual customers, the company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The company has a non-recourse financing arrangement with one of its banks in which funds are received in relation to trade receivable balances before the due date for payment. Trade receivables are derecognised on receipt of the payment from the bank. See note 15 for further details.

##### Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

##### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

##### Provisions

Provisions are recognised where the company is deemed to have a legal or constructive obligation, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made. Where amounts provided are payable after more than one year the estimated liability is discounted using an appropriate rate of interest.

## **The Automated Technology Group Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **2 Accounting policies (continued)**

The company has taken internal and external advice in considering known and reasonably likely legal claims made by or against the company. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the company on the basis of likely outcome, but no provisions are made for those which, in the view of management, are unlikely to succeed.

See note 18 for further details.

Possible but not probable liabilities are disclosed as contingent liabilities in note .

#### **Leases**

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control or use an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an asset, the company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019. The company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term. The right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate ("IBR") and is subsequently increased by the interest cost on the lease liability and reduced by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the company is reasonably certain to exercise such options impacts the lease term, which may significantly affect the amount of lease liabilities and right of use assets recognised.

The company has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short term leases, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

#### **Share capital**

The company has one class of ordinary shares and these are classified as equity. Dividends on ordinary shares are not recognised as a liability or charged to equity until they have been approved by shareholders.

#### **Defined contribution pension obligation**

The company's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate.

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**2 Accounting policies (continued)**

**Financial instruments**

*Derivative financial instruments*

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value.

*Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk. A number of the company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the company measure the fair value of the instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable outputs and minimise the use of unobservable outputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The carrying values of trade receivables and payables approximate to their fair values.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

**Research and development government credits**

The company claims research and development government credits. These credits are similar in nature to grants and are offset against the related expenditure category in the income statement. The credits are recognised when there is reasonable assurance that they will be received, which in some cases can be some time after the original expense is incurred.

**Rounding of amounts**

All amounts in the financial statements and notes have been rounded off to the nearest thousand Sterling Pound, unless otherwise stated.

## **The Automated Technology Group Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. These estimates and judgements are based on management's best knowledge of the amount, event or actions and actual results ultimately may differ from those estimates. Company management believe that the estimates and assumptions listed below have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities.

##### **a) Income taxes (estimate)**

Tax provisions are based on management's interpretation of country specific tax law and the likelihood of settlement. This involves a significant amount of judgement as tax legislation can be complex and open to different interpretation. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks. When actual liabilities differ from the provisions, adjustments are made which can have a material impact on the company's tax charge for the year.

Deferred tax asset recognition is based on two factors. Firstly, deferred tax liabilities in the same jurisdiction as assets that are legally capable of being offset and the timing of the reversal of the asset and liability would enable the deduction from the asset to be utilised against the taxable income from the liability. Secondly, forecast profits support the recognition of deferred tax assets not otherwise supported by deferred tax liabilities. Management uses in-house experts to determine the forecast period to support recognition, this is considered by jurisdiction or entity dependent on the tax laws of the jurisdiction. If actual results differ from the forecasts the impact of not being able to utilise the expected amount of deferred tax assets can have a material impact on the company's tax charge for the year.

##### **b) Provisions and contingent liabilities (judgement and estimate)**

The company records provisions where it has a present obligation (legal and constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the outcome is less than probable, but more than remote, or a reliable estimate cannot be made, no provision is recorded but a contingent liability is disclosed in the financial statements, if material. The recording of provisions is an area which the exercise of management judgement relating to the nature, timing and probability of the liability and typically the company's balance sheet includes contract provisions and provisions for pending legal issues.

##### **c) Revenue recognition on fixed and long-term contracts (estimate)**

The company has certain fixed price long term contracts which are accounted for in accordance with IFRS 15 and require estimates to be made for contract revenue. Contract revenues are affected by uncertainties that depend on the outcome of future events.

##### **d) Lease liability (judgement)**

The company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option, Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated).

For leases of property, the following factors are normally the most relevant:

## The Automated Technology Group Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate);
- Otherwise the company considers other factors including historical lease durations, the costs and business disruption to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the company's incremental borrowing rate ("IBR") is used. The IBR is obtained from various external financing sources and makes adjustments to reflect the terms of the lease and the type of asset leased.

#### 4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Rendering of services	23,676	29,620

The analysis of the company's revenue for the year by class of business is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Cost reimbursable contracts	-	1,145
Fixed price contracts	23,676	28,475
	23,676	29,620

The analysis of the company's revenue for the year by market is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
UK	21,737	24,178
Europe	1,939	4,958
Rest of world	-	484
	23,676	29,620

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**4 Revenue (continued)**

**Contract assets and liabilities**

	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Contract assets	14,273	16,459
Contract liabilities	<u>(425)</u>	<u>(487)</u>
Net contract assets	<u><u>13,848</u></u>	<u><u>15,972</u></u>

The contract asset balances include amounts the company has invoiced to customers (trade receivables) as well as amounts where the company has the right to receive consideration for work completed which has not been billed at the reporting date (accrued income). Accrued income is transferred to trade receivables when the rights become unconditional which usually occurs when the customer is invoiced. Accrued income primarily relates to advance consideration received from customers, for which revenue is recognised over time.

Trade receivables and accrued income are included within the 'Trade and other receivables' heading in the company balance sheet. Deferred income is included within the 'Trade and other payables' heading in the company balance sheet.

**5 Operating loss**

Arrived at after charging/(crediting)

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation expense	166	210
Depreciation on right of use assets - Machinery	705	255
Depreciation on right of use assets - Property	178	177
Amortisation expense	60	89
Foreign exchange (gains)/losses	<u>(42)</u>	<u>74</u>

**6 Finance expense**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest on bank overdrafts and borrowings	138	236
IFRS 16 interest	<u>92</u>	<u>60</u>
	<u><u>230</u></u>	<u><u>296</u></u>

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**7 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	9,506	12,060
Social security costs	1,012	1,250
Pension costs, defined contribution scheme	738	1,183
Share-based payment expenses	1	36
	<u>11,257</u>	<u>14,529</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Management	12	15
Staff	195	220
	<u>207</u>	<u>235</u>

**8 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	363	600
Contributions paid to money purchase schemes	198	175
	<u>561</u>	<u>775</u>

In respect of the highest paid director:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	<u>117</u>	<u>145</u>

**9 Auditors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of the financial statements	<u>-</u>	<u>46</u>

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**10 Taxation**

Tax charged in the income statement

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	-	136
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	-	158
Arising from changes in tax rates and laws	-	(1)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	(35)
Total deferred taxation	-	122
Tax expense in the income statement	-	258

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Loss before tax	(4,875)	(2,501)
Corporation tax at standard rate	(926)	(475)
Increase in current tax from adjustment for prior periods	-	101
Increase from effect of revenues exempt from taxation	-	(42)
Increase from effect of expenses not deductible in determining taxable profit	11	10
(Increase)/decrease from tax losses for which no deferred tax asset was recognised	(14)	148
(Decrease)/increase from effect of exercise employee share options	(1)	5
Increase arising from group relief tax reconciliation	930	511
Increase from transfer pricing adjustments	-	1
Deferred tax credit relating to changes in tax rates or laws	-	(1)
Total tax charge	-	258

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**10 Taxation (continued)**

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016), however, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019: 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

In addition, the UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. The estimated impact of these changes on the company's unrecognised deferred tax balances as at 31 December 2020 is an increase of £63,000.

**Deferred tax**

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Fixed asset timing differences	91	(91)	-
Transition adjustments arising from first time adoption of IFRS 16	<u>31</u>	<u>(31)</u>	<u>-</u>
Net tax assets/(liabilities)	<u>122</u>	<u>(122)</u>	<u>-</u>

There is an unrecognised deferred tax asset of £151,000 as at 31 December 2020 (2019: £148,000) which relates predominantly to fixed asset timing differences. This asset has not been recognised as the directors of the Company consider that it is unlikely that the asset will crystallise in the foreseeable future.

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**11 Property, plant and equipment**

	<b>Land and buildings £ 000</b>	<b>Plant and equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>			
At 1 January 2020	1,317	1,584	2,901
Additions	-	7	7
Disposals	-	(69)	(69)
At 31 December 2020	<u>1,317</u>	<u>1,522</u>	<u>2,839</u>
<b>Depreciation</b>			
At 1 January 2020	1,023	1,446	2,469
Charge for the year	131	35	166
Eliminated on disposal	-	(39)	(39)
At 31 December 2020	<u>1,154</u>	<u>1,442</u>	<u>2,596</u>
<b>Carrying amount</b>			
At 31 December 2020	<u>163</u>	<u>80</u>	<u>243</u>
At 31 December 2019	<u>294</u>	<u>138</u>	<u>432</u>

Included within the net book value of land and buildings above is £163,000 (2019: £294,000) in respect of leasehold improvements.

**The Automated Technology Group Limited**

**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020  
(continued)**

**12 Right of use assets**

	<b>Land and buildings £ 000</b>	<b>Plant and equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>			
At 1 January 2020	1,843	1,032	2,875
Additions	675	768	1,443
Disposals	(78)	(750)	(828)
At 31 December 2020	<u>2,440</u>	<u>1,050</u>	<u>3,490</u>
<b>Depreciation</b>			
At 1 January 2020	1,092	450	1,542
Charge for the year	178	705	883
Eliminated on disposal	(78)	(750)	(828)
At 31 December 2020	<u>1,192</u>	<u>405</u>	<u>1,597</u>
<b>Carrying amount</b>			
At 31 December 2020	<u>1,248</u>	<u>645</u>	<u>1,893</u>
At 31 December 2019	<u>751</u>	<u>582</u>	<u>1,333</u>

**13 Intangible assets**

	<b>Software and development costs £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 1 January 2020	<u>356</u>	<u>356</u>
At 31 December 2020	<u>356</u>	<u>356</u>
<b>Amortisation</b>		
At 1 January 2020	281	281
Amortisation charge	60	60
At 31 December 2020	<u>341</u>	<u>341</u>
<b>Carrying amount</b>		
At 31 December 2020	<u>15</u>	<u>15</u>
At 31 December 2019	<u>75</u>	<u>75</u>

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**14 Inventories**

	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Raw materials and consumables	<u>170</u>	<u>202</u>

**15 Trade and other receivables**

	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade receivables	6,924	6,152
Amounts due from group undertakings	168	297
Accrued income	7,341	10,307
Prepayments	243	165
Other receivables	206	129
Research and development receivable	<u>1,907</u>	<u>2,173</u>
	<u>16,789</u>	<u>19,223</u>

Amounts due from group undertakings are interest free and repayable on demand.

**16 Loans and borrowings**

	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current loans and borrowings</b>		
Bank overdrafts	<u>7,077</u>	<u>3,577</u>

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**17 Leases**

	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Current lease liability	619	431
Non-current lease liability	<u>1,472</u>	<u>1,072</u>

The company leases various offices, warehouses, plant and equipment. The majority of the lease liability relates to properties and are generally made for fixed periods of up to three years, unless of strategic importance to the company. Some leases have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. From 1 January 2019, leases are recognised as a right of use asset and corresponding liability, once the asset is available for use by the company.

The company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate ("IBR").

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the company's IBR is used. The IBR is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**18 Provisions**

	<b>Onerous lease £ 000</b>
At 1 January 2020	88
Increase in existing provisions	40
At 31 December 2020	128

**19 Trade and other payables**

	<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
Trade payables	3,006	3,878
Accrued expenses and deferred income	1,012	1,858
Amounts due to group undertakings	483	677
Social security and other taxes	1,071	1,245
Other payables	277	5
	5,849	7,663

Amounts due to group undertakings are interest free and repayable on demand.

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**20 Financial risk management and impairment of financial assets**

The main risks relating to the company's financial instruments are detailed below:

**Credit risk and impairment**

The company only trades with recognised, creditworthy third parties. It is the company's policy that credit terms for all new major customers are approved by the company's management, who also monitor receivable balances on an ongoing basis, with the result that the company's exposure to bad debts is not considered significant.

With respect to credit risk from other financial assets, these primarily relate to cash and cash equivalents. The company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

**Foreign exchange risk**

The company is exposed to foreign currency risk on transactions where sales, purchases and borrowings which are in currencies other than the company's functional currency. The company strives to invoice its customers in the currency in which the costs have been incurred, and maintain intercompany loans in the functional currency of the company, to eliminate the currency exposure wherever possible.

**Interest rate risk**

The company's exposure to the risk of changes in market interest rates relates primarily to intercompany borrowings.

**Liquidity risk**

The company monitors its risk to a shortage of funds by regular projected cash flow forecasts from operations which also consider the maturity of its financial assets and liabilities. Any additional funding required is supplied by fellow Wood companies and an external bank overdraft facility.

**Fair values of financial assets and liabilities**

Financial instruments included in the financial statements have been reviewed and the carrying values per the financial statements are the same as the fair values of these financial instruments.

**The Automated Technology Group Limited**  
**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020**  
**(continued)**

**21 Share capital**

Allotted, called up and fully paid shares

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	No.	£	No.	£
100 Ordinary shares at £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

**22 Parent and ultimate parent undertaking**

The company's immediate parent is Automated Technology Group Holdings Limited.

The ultimate parent is John Wood Group PLC. These financial statements are available upon request from 15 Justice Mill Lane, Aberdeen, AB11 6EQ.

The ultimate controlling party is John Wood Group PLC.

**23 Non adjusting events after the financial period**

Since 31 December 2020, as part of the restructuring referred to under Future Developments above, in 2021 the company made exceptional restructuring cost and redundancy provisions relating to the restructuring of the controls business and withdrawal from the power business of £4,317,000.