
PEXION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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PEXION LIMITED

COMPANY INFORMATION

Directors	D J Brindle D J Turner
Registered number	02033029
Registered office	Pexion Limited George Street Chorley PR7 2BE
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS
Bankers	HSBC Bank PLC 4 Hardman Square Spinningfields Manchester M3 3EB
Solicitors	AB Corporate LLP 3 Hardman Street Spinningfields Manchester M3 3HF

PEXION LIMITED

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PEXION LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal activities

Pexion Limited is an industrial investment and management company. The Group's principal activities are the manufacture and assembly of precision engineered, fabricated metal, electrical, electronic and tooling products primarily to the aerospace, defence, security, scientific, industrial, oil and gas and medical markets.

Business review

During a year marked by the global Covid-19 pandemic the directors are satisfied with the performance of the Group. Despite a fall in headline turnover from £59m to £41m the Group reported a satisfactory level of operating profit before depreciation, amortisation and exceptional costs of £2.7m (2019: £6.2m). Exceptional costs totalled £2.1m and were the direct result of the director's pandemic mitigation actions to provide financial stability and improve the financial performance of the Group in the longer term.

The Group's intention is to ensure the mitigation actions successfully completed in 2020 continue to be appropriate and effective and to progress the Strategic Plan.

Principal risks and uncertainties

To continue trading with certain customers the Group is required to hold a number of industry approvals; this is particularly true of the aerospace industry. A loss of approvals would cause delays in, or loss of, sales which would not only have a financial impact on the Group but may also damage customer relationships. The Group operates regular internal and external audits to ensure customer approvals are maintained whilst identifying improvements for the future.

The Group is dependent on a relatively small number of suppliers for key materials in the manufacture of certain products. Should there be an interruption in supply production output could be delayed. To reduce this risk the Group's policy is a minimum of two suppliers for all key components and raw materials.

The Group's production staff are well trained and highly skilled in metals processing and electrical component assembly and as such are highly sought after. This may result in a skills shortage if staff were to leave the Group. The Group therefore operates an effective employee feedback process to ensure workplace issues are resolved quickly and efficiently.

Financial key performance indicators

The Group has a number of key performance indicators which are reviewed on a regular basis. These are listed below:

- Monthly business unit management accounts tracking turnover, gross profit, EBITDA and overheads including analysis of variances to budget, latest forecast and prior period comparatives.
- Detailed monthly analysis of manufacturing performance including output, efficiency and delivery performance.
- Monthly consolidated profit and loss, balance sheet, cash flow and funds flow tracking turnover, gross profit, EBITDA and overheads including analysis of variances to budget, latest forecast and prior period comparatives.
- Quarterly covenant calculations to ensure compliance with banking covenants.
- Detailed quarterly consolidated, divisional and individual business unit forecasts including sales, gross margin, EBITDA, cash flow, covenants and borrowing capacity with analysis of variance from previous forecasts.
- Daily sales and cash analysis at individual business unit level together with monthly analysis of consolidated order book and orders received.
- Weekly review of aged debtors, cash and working capital against budget and forecast.

PEXION LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

- Detailed monthly health, safety and environmental reviews. Throughout the pandemic daily reviews have taken place across all sites.

Future developments

The Group's short term focus is to continue maximising working capital and manage short term cash flows within available facilities. The Group will continue to monitor and review all production and back office functions and ensure cost and efficiency savings achieved during the pandemic continue. This focus means the Group is well placed to take advantage of opportunities in the future and continue with the Group's medium term intention, to continue progressing with the Strategic Plan.

Gross revenue

As the prime measure of economic output revenue growth is key to measuring shareholder return as continued growth in revenue gives an indication of product quality and sustainability. In the current year, Group revenue was £40.9m compared to £58.7m in 2019.

Gross Margin

Gross Margin is a measure of the value added by the Group operations. Growth in both volume of margin and its proportion of revenue drives the Group's aim of measuring shareholder returns. Gross profit for 2020 was £11.5m (2019: £17.8m).

Financial risk management objectives and policies

The Group is funded by a £17m committed acquisition facility secured in January 2019. Following a decline in revenue due to the pandemic the Group secured further financial support by restructuring the repayment profile of the £17m facility and obtaining credit approval for a Coronavirus Business Interruption Loan Scheme (CBILS). The Group secured a £5m CBILS loan of which £3.5m was drawn down in April 2021.

In addition to the above facility, the Group uses various financial instruments including cash, bank overdrafts, invoice discounting facilities and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks, which are summarised below. These policies have remained unchanged.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by careful management of working capital.

Interest rate risk

The Group finances its operations primarily through bank facilities comprising committed acquisition facility, mortgage, overdraft and invoice discounting facilities. Investment in fixed assets is financed using a combination of cash, finance leases and hire purchase contracts. Whilst there is exposure to interest rate fluctuations on the committed acquisition facility and invoice discounting facilities, the directors consider that this risk can be managed, to an extent, by effective credit control but also by studying future interest rate trends and expectations. The Group will seek to manage its exposure to interest rate fluctuations by entering into fixed rate agreements where possible.

PEXION LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Credit risk

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Health and safety

The Group gives a high priority to health and safety issues and takes all reasonable measures, and provides sufficient resources, to ensure the health, safety and welfare of all its employees. The directors of Pexion Limited make sure the health and safety policies within the Group ensure compliance with the Health and Safety at Work Act, are observed and regularly reviewed in order to promote a positive health and safety attitude with all our employees.

It is a function of management to provide proper equipment and protective clothing and to create an environment in which business operations can be carried out safely. Employees have a responsibility to work in a safe manner. To this end, the Group liaises with external accident prevention organisations and through its safety and training officers, the provision of safety courses and its safety committees, encourages staff to identify and guard against potential hazards.

Throughout the pandemic the Group put procedures in place at all sites to ensure that employees were protected. These procedures, as a minimum, guaranteed strict adherence to government guidelines in operation from time to time.

Equal opportunity and employment policy

The Group is committed to offering equal opportunities to all employees regardless of gender, age, race, national or ethnic origin, disability, sexual orientation or marital status. It is the policy of the Group that the training, career development and promotion opportunities are, as far as possible, identical for all employees.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event an existing employee becomes disabled, every effort is made to provide continuity of employment. Additional training is provided, where appropriate.

Engagement with employees

Regular meetings are held with senior management teams to discuss divisional and Group performance. The meetings provide opportunity for discussion and questions around matters concerning employees, particularly with reference to health and safety, training and performance.

Statement by the Directors in performance of their statutory duties in accordance with S172

The Board comprise an experienced Executive and Senior Leadership Team with significant sector experience and the appropriate skills, experience and knowledge to make a valuable contribution. The Board annually review and approve strategic plans and monitor implementation and progress of the plan throughout the year via regular Senior Leadership Team meetings and monthly board meetings.

The Board's priority is to ensure the Directors have acted both individually and collectively in the way they consider most likely to promote the success of the Group for the benefit of its members as a whole and with regard to its stakeholders, comprising funders and Pension Trustees, and to the matters set out in paragraphs a-f of section 172 of the Companies Act 2006.

The Board are responsible for all key decisions and the likely long term consequences are considered as part of the decision making process. When appraising opportunities the Board review and consider the likely consequences for the organisation. Stakeholder approval is requested for all strategic decisions and long term plans.

PEXION LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors recognise that the Group's employees are essential to its long term success. Within the bounds of commercial confidentiality, information is shared with people at all levels about matters that affect the progress of the Group and are of interest and concern to them as employees. The Group places considerable value on the involvement of its employees. Staff appraisals take place regularly and appropriate training is provided. Further training and development opportunities are available to staff through the Group's Apprenticeship Levy; to date 29 employees have received training and qualifications via the Apprenticeship Levy. Periodic surveys are undertaken to gauge progress and invite input from every colleague. The surveys alongside the regular performance reviews foster a culture of continuous improvement and maintain strong morale.

The Directors strategy is to grow the business by building long term strategic relationships with customers, suppliers and others. The Group has many long standing relationships with customers and suppliers in a number of different sectors, some of which were hit particularly hard during the pandemic. Through collaborative and flexible working the Directors have supported and preserved the customer and supplier base and are well placed to meet the growing order book.

The impact of the company's operations on the environment is considered and steps taken, via process review and capital expenditure investment, to ensure production operations are as efficient as possible. Other working practices are reviewed to ensure best practice from both an economic and environmental perspective. The widespread use of video conferencing introduced during the pandemic has now become standard resulting in savings in fuel costs, carbon emissions, and senior management time.

The Group have four simple values dedicating the Group to pursuing the very best and most innovative solutions for its customers; customer focus, operational excellence, innovation and growth and integrity. These values have formed a solid foundation from which the business has continued to grow and maintain a reputation for high standard of business conduct.

This report was approved by the board on 29/9/2021 and signed on its behalf.

Dave Brindle

D J Brindle
Director

PEXION LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Results and dividends

The results of the Group for the year to 31 December 2020 are set out in detail on page 14. The loss for the year was £2.8m (2019: £1.39m). The operating profit of the Group before charging depreciation, amortisation and exceptional costs for the financial year was £2.7m (2019: £6.2m). After charging depreciation and amortisation of £2.8m and exceptional costs of £2.1m the operating loss of the Group for the financial year amounted to £2.2m (2019: operating profit £0.25m).

A dividend of £445,000 was paid in the year (2019: £435,417).

Directors

The directors who served during the year were:

D J Brindle
D J Turner

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

Insurance policies are in place that indemnify the Directors against liability when acting for Pexion Limited.

Matters covered in the strategic report

In accordance with section 414c(11) of the companies Act, certain matters required to be detailed in the Directors' report are detailed in the strategic report where the Directors considers them to be of strategic importance to the company.

PEXION LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy and Carbon Reporting (SECR)
Consumption (kWh) and greenhouse gas emissions (tCO₂e) Totals

The total consumption (kWh) figures for energy supplies reportable by the Pexion Group are set out in the table below. The Pexion Group ("Group") includes Pexion Limited and its subsidiary companies.

Utility and scope	2020 Consumption(kWh)
Grid-supplied electricity (Scope 2)	3,274,198
Gaseous and other fuels (Scope 1)	2,443,894
Transportation (Scope 1 and 3)	185,231
Total	5,903,323

Scope 1 consumption and emissions relate to direct combustion of natural gas and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the Group. This relates to grey fleet, business travel undertaken in employee-owned vehicles, only.

The total emission (tCO₂e) figures for energy supplies reportable by the group is set out in the table below. Conversion factors utilised in these calculations are available on request.

Utility and scope	2020 Consumption(tCO₂e)
Grid-supplied electricity (Scope 2)	763.35
Gaseous and other fuels (Scope 1)	449.36
Transportation (Scope 1 and 3)	43.82
Total	1,256.53

Intensity metric

An intensity metric of tCO₂e per £m turnover has been applied for the annual total emissions of the Group and the result of this analysis is set out below:

Intensity metric	2020 Intensity Metric
tCO₂e / £m turnover	29.43

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Energy efficiency improvements

The Group is committed to year-on-year improvements in its operational energy efficiency. A register of energy efficiency measures available to the Group has been compiled, with a view to implementing these measures over the next five years.

Measures ongoing and undertaken through 2020:

The effects of the pandemic impacted a number of the energy efficiency projects planned for implementation in 2020. Whilst some projects were implemented prior to the pandemic a number of these projects have been deferred to 2021.

Renewable generation

The group has invested in solar panels at 3 sites. The aim is the ability to remove reliance on grid supplied electricity on site alongside reducing carbon emissions from day-to-day operations.

Measures prioritised for implementation in 2021:

Renewable energy procurement

The Group is aware a significant portion of its energy consumption and resulting emissions is through the consumption of electricity. To reduce carbon emissions, from 2021, the directors have put in place an electricity contract where electricity consumed is wholly provided from renewable energy sources.

LED lighting refurbishment

The Group has explored methods to improve the energy efficiency of the portfolio. Lighting is identified as an area where improvements can be achieved and an LED lighting replacement project is planned for 2021.

Company car review

The number of company cars within the Group has been reviewed. Following changes to working patterns, with increased home working and widespread use of video conferencing, it has been agreed company car fleet reductions will be possible without detriment to the operations of the business. Reducing the number of company cars will reduce total emissions of the Group.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

PEXION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29/9/2021 and signed on its behalf.

Dave Brindle

D J Brindle
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEXION LIMITED

Opinion

We have audited the financial statements of Pexion Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and of the parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group and the parent Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and of the parent Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and of the parent Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and of the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.



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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.



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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and determined that the most significant are those that relate to the financial reporting framework, including Financial Reporting Standard 102, being the Companies Act 2006 and tax compliance regulations.
- We obtained an understanding of how the Group and Parent Company was complying with those legal and regulatory frameworks by making enquiries of management. We enquired of management whether they were aware of instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud.
- We enquired of those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries to relevant supporting documentation.
- We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This includes the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - Journals posted by senior management personnel.
- In assessing the potential risks of material misstatement, we obtained an understanding of the Group and Parent Company's operations, including the nature of revenue sources, services and its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's:



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

- Understanding of, and practical experience with audit engagement of a similar size and nature through appropriate training and participation; and
 - Understanding of the legal and regulatory requirements specific to the Group and Parent Company.
-
- We did not identify any material matters relating to non-compliance with laws and regulation or relating to fraud.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Carl Williams FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
Date: 29/9/2021

PEXION LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

		Continuing operations 2020 £	Discontin'd operations 2020 £	Total 2020 £	Continuing operations 2019 £	Discontin'd operations 2019 £	Total 2019 £
Note							
	Turnover: Operations	40,588,765	375,447	40,964,212	32,590,580	1,977,801	34,568,381
	Turnover: Acquisitions	-	-	-	24,159,028	-	24,159,028
	Total turnover	40,588,765	375,447	40,964,212	56,749,608	1,977,801	58,727,409
	Cost of sales	(29,096,036)	(354,637)	(29,450,673)	(39,642,587)	(1,236,257)	(40,878,844)
	Gross profit	11,492,729	20,810	11,513,539	17,107,021	741,544	17,848,565
	Administrative expenses	(12,155,540)	(418,098)	(12,573,638)	(17,269,874)	(836,588)	(18,106,462)
	Exceptional administrative expenses	14 (1,949,519)	(132,629)	(2,082,148)	-	-	-
	Other operating income	5 857,683	91,515	949,198	10,700	-	10,700
	EBITDA	1,025,989	(438,402)	587,587	6,253,650	(95,044)	6,158,606
	Goodwill amortisation	15 (967,318)	-	(967,318)	(1,336,523)	-	(1,336,523)
	Depreciation	16 (1,813,089)	-	(1,813,089)	(1,912,629)	-	(1,912,629)
	Impairment charges	-	-	-	(3,156,651)	-	(3,156,651)
	Operating loss	6 (1,754,647)	(438,402)	(2,193,049)	(152,153)	(95,044)	(247,197)
	Profit on disposal of subsidiary undertaking	47,836	-	47,836	396,844	-	396,844
	Interest receivable and similar income	10 258	-	258	13,339	-	13,339
	Interest payable and similar expenses	11 (1,369,549)	-	(1,369,549)	(1,388,808)	(8,386)	(1,397,194)
	Loss before taxation	(3,076,102)	(438,402)	(3,514,504)	(1,130,778)	(103,430)	(1,234,208)
	Tax on loss	12 696,047	-	696,047	(159,037)	-	(159,037)
	Loss for the financial year	(2,380,055)	(438,402)	(2,818,457)	(1,289,815)	(103,430)	(1,393,245)
	Actuarial gains/(losses) on defined benefit pension scheme		32 1,685,939				(1,657,890)
	Movement of deferred tax relating to pension surplus		26 (358,910)				281,142
	Total comprehensive income for the year			(1,491,428)			(2,769,993)

The notes on pages 22 to 55 form part of these financial statements.

PEXION LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

PEXION LIMITED
REGISTERED NUMBER:02033029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	15	16,148,640	20,003,995
Tangible assets	16	13,124,431	13,827,906
		<u>29,273,071</u>	<u>33,831,901</u>
Current assets			
Stocks	18	6,256,607	6,293,587
Debtors	19	9,158,354	13,175,605
Cash at bank and in hand	20	17,481	45,213
		<u>15,432,442</u>	<u>19,514,405</u>
Creditors: amounts falling due within one year	21	(21,172,546)	(21,595,853)
Net current liabilities		<u>(5,740,104)</u>	<u>(2,081,448)</u>
Total assets less current liabilities		<u>23,532,967</u>	<u>31,750,453</u>
Creditors: amounts falling due after more than one year	22	(19,260,539)	(23,816,097)
Provisions for liabilities			
Net assets excluding pension liability		<u>4,272,428</u>	<u>7,934,356</u>
Pension liability	32	(1,888,000)	(3,777,000)
Net assets		<u><u>2,384,428</u></u>	<u><u>4,157,356</u></u>
Capital and reserves			
Called up share capital	27	2,554,200	2,554,200
Share premium account	28	222,200	222,200
Revaluation reserve	28	1,822,302	1,658,802
Capital redemption reserve	28	1,262,425	1,262,425
Profit and loss account	28	(3,476,699)	(1,540,271)
Equity attributable to owners of the parent Company		<u><u>2,384,428</u></u>	<u><u>4,157,356</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/9/2021

Dave Brindle
D J Brindle
 Director

The notes on pages 22 to 55 form part of these financial statements.

PEXION LIMITED
REGISTERED NUMBER:02033029

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	16	331,839	308,540
Investments	17	37,412,501	40,302,447
		<u>37,744,340</u>	<u>40,610,987</u>
Current assets			
Debtors	19	8,759,548	1,117,115
		<u>8,759,548</u>	<u>1,117,115</u>
Creditors: amounts falling due within one year	21	(21,742,302)	(16,846,601)
Net current liabilities		<u>(12,982,754)</u>	<u>(15,729,486)</u>
Total assets less current liabilities		<u>24,761,586</u>	<u>24,881,501</u>
Creditors: amounts falling due after more than one year	22	(13,559,874)	(18,612,668)
Net assets excluding pension liability		<u>11,201,712</u>	<u>6,268,833</u>
Pension liability	32	(1,888,000)	(3,777,000)
Net assets		<u><u>9,313,712</u></u>	<u><u>2,491,833</u></u>
Capital and reserves			
Called up share capital	27	2,554,200	2,554,200
Share premium account	28	222,200	222,200
Capital redemption reserve	28	1,262,425	1,262,425
Profit and loss account carried forward		5,274,887	(1,546,992)
		<u><u>9,313,712</u></u>	<u><u>2,491,833</u></u>

As provided by section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit for the year was £5,939,850 (2019: loss £2,224,779).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/9/2021

Dave Brindle
D J Brindle
 Director

The notes on pages 22 to 55 form part of these financial statements.

PEXION LIMITED

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

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2020	2,554,200	222,200	1,262,425	1,658,802	(1,540,271)	4,157,356
Comprehensive income for the year						
Loss for the year	-	-	-	-	(2,818,457)	(2,818,457)
Actuarial gains on pension scheme	-	-	-	-	1,685,939	1,685,939
Deferred tax movements	-	-	-	-	(358,910)	(358,910)
Total comprehensive income for the year	-	-	-	-	(1,491,428)	(1,491,428)
Dividends: Equity capital	-	-	-	-	(445,000)	(445,000)
Revaluation of fixed assets	-	-	-	163,500	-	163,500
At 31 December 2020	2,554,200	222,200	1,262,425	1,822,302	(3,476,699)	2,384,428

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2019	2,554,200	222,200	1,262,425	-	1,665,139	5,703,964
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,393,245)	(1,393,245)
Actuarial losses on pension scheme	-	-	-	-	(1,657,890)	(1,657,890)
Deferred tax movements	-	-	-	-	281,142	281,142
Total comprehensive income for the year	-	-	-	-	(2,769,993)	(2,769,993)
Dividends: Equity capital	-	-	-	-	(435,417)	(435,417)
Revaluation of fixed assets	-	-	-	1,658,802	-	1,658,802
At 31 December 2019	2,554,200	222,200	1,262,425	1,658,802	(1,540,271)	4,157,356

The notes on pages 22 to 55 form part of these financial statements.

PEXION LIMITED

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

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	2,554,200	222,200	1,262,425	(1,546,992)	2,491,833
Comprehensive income for the year					
Profit for the year	-	-	-	5,939,850	5,939,850
Actuarial gains on pension scheme	-	-	-	1,685,939	1,685,939
Deferred tax movements	-	-	-	(358,910)	(358,910)
Total comprehensive income for the year	-	-	-	7,266,879	7,266,879
Dividends: Equity capital	-	-	-	(445,000)	(445,000)
At 31 December 2020	2,554,200	222,200	1,262,425	5,274,887	9,313,712

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	2,554,200	222,200	1,262,425	2,489,952	6,528,777
Comprehensive income for the year					
Loss for the year	-	-	-	(2,224,779)	(2,224,779)
Actuarial losses on pension scheme	-	-	-	(1,657,890)	(1,657,890)
Deferred tax movements	-	-	-	281,142	281,142
Total comprehensive income for the year	-	-	-	(3,601,527)	(3,601,527)
Dividends: Equity capital	-	-	-	(435,417)	(435,417)
At 31 December 2019	2,554,200	222,200	1,262,425	(1,546,992)	2,491,833

The notes on pages 22 to 55 form part of these financial statements.

PEXION LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(2,818,457)	(1,393,245)
Adjustments for:		
Amortisation of intangible assets	967,318	1,336,524
Depreciation of tangible assets	1,813,089	1,912,629
Impairments of intangible assets	-	3,156,651
Profit on disposal of investments	(47,836)	(396,844)
Profit on disposal of tangible assets	(38,369)	(6,451)
Net finance costs	1,297,291	1,314,855
Taxation (credit)/charge	(696,047)	159,037
(Increase)/decrease in stocks	(184,739)	1,170,739
Decrease in debtors	3,361,748	51,789
Increase in creditors	627,747	1,509,864
Corporation tax received/(paid)	50,710	(455,616)
Defined benefit pension scheme expenses and interest	261,000	195,000
Pension contributions paid	(464,061)	(549,890)
Net cash generated from operating activities	4,129,394	8,005,042
Cash flows from investing activities		
Purchase of subsidiary undertaking	(216,106)	(11,766,437)
Sale of subsidiary undertakings	163,350	41,667
Net cash disposed with subsidiary undertaking	(167,978)	(300,000)
Purchase of tangible fixed assets	(900,043)	(1,769,721)
Sale of tangible fixed assets	348,255	250,124
Interest received	258	13,339
Loans acquired with subsidiary undertaking	-	(1,008,871)
Purchase of subsidiary undertakings - prior year acquisitions deferred consideration paid	(1,621,822)	(2,697,794)
Net cash acquired with subsidiary undertaking	-	1,081,923
Loans disposed with subsidiary undertaking	408,811	196,965
Net cash from investing activities	(1,985,275)	(15,958,805)

PEXION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from financing activities		
New long term loans	947,875	11,094,000
Repayment of loans	(1,232,500)	(2,854,000)
Repayment of mortgages	(259,715)	(253,926)
Mortgage disposed with sale of subsidiary undertaking	(355,649)	-
Repayment of finance leases	(913,366)	(971,901)
New finance lease and HP contracts	1,107,186	1,053,805
Finance lease and HP contracts acquired with company acquisitions	-	769,424
Finance lease and HP contracts disposed with sale of subsidiary undertaking	(53,162)	(196,965)
Dividends paid	(445,000)	(435,417)
Interest paid	(1,297,549)	(1,328,194)
Net cash used in financing activities	(2,501,880)	6,876,826
Net decrease in cash and cash equivalents	(357,761)	(1,076,937)
Cash and cash equivalents at beginning of year	(358,027)	718,910
Cash and cash equivalents at the end of year	(715,788)	(358,027)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	17,481	45,213
Bank overdrafts	(733,269)	(403,240)
	(715,788)	(358,027)

The notes on pages 22 to 55 form part of these financial statements.

PEXION LIMITED

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

1. General information

Pexion Limited is a private company limited by shares registered under the Companies Act 2006 and incorporated in England & Wales. The registered office (which also acts as the principal place of business) is Pexion Limited, George Street, Chorley, PR7 2BE.

The principal activity has been disclosed within the Strategic report.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In preparing the financial statements, the entity has taken the exemption under FRS 102 from the disclosure of key management personnel.

2.3 Going concern

The financial statements have been prepared on the going concern basis which the directors believe is appropriate for the following reasons. As detailed in the strategic report, the Group secured financial support during 2020 by restructuring the repayment profile of the existing term loan facility and securing a Coronavirus Business Interruption Loan Scheme (CBILS). The Group meets its day to day working capital requirements through its cash balances overdraft and invoice financing facilities. The directors have prepared and reviewed cash flow forecasts for the period ending 12 months from the date of approval of these financial statements, which they consider to be achievable given current levels of trading. The directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Consequently these financial statements do not include any adjustments that would be required if the going concern basis was not appropriate.

PEXION LIMITED

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

2. Accounting policies (continued)

2.4 Foreign currency translation

The Company's functional and presentational currency is GBP.

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

2.5 Revenue

Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods. Turnover from the sale of services is recognised when the service has been provided. This is usually at the point the customer signs for the services received.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and turnover can be readily measured. Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

PEXION LIMITED

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

2. Accounting policies (continued)**2.10 Pensions**

The Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

The Group operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 December 2020.

Defined benefit scheme

Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of financial position. A net surplus is recognised only to the extent that it is recoverable.

The current service cost and costs from settlements and curtailments are charged against operating profit. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

The scheme is closed to new members and both future salary increases and service accruals for existing members.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

PEXION LIMITED

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

2. Accounting policies (continued)**2.12 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.13 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Amortisation is provided on the following bases:

Goodwill	-	20 years
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2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit and loss during the period in which they incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 20 - 50 years
Plant and machinery	- between 3 and 10 years
Fixtures and fittings	- between 3 and 10 years

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

PEXION LIMITED

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

2. Accounting policies (continued)**2.15 Impairment of assets**

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.16 Impairment of fixed assets and goodwill

Assets that are subject to amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.17 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

2.18 Investments in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

PEXION LIMITED

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

2. Accounting policies (continued)**2.19 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.20 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.22 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

PEXION LIMITED

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

2. Accounting policies (continued)**2.24 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

2.25 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

PEXION LIMITED

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors consider the key judgements and estimates in the accounts to be as follows:

- the valuation of pension scheme liabilities
- the recognition of deferred tax assets
- stock provisions
- doubtful debt provisions

Defined benefit pension scheme liability

The present value of the defined benefit pension scheme depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. An actuarial valuation was done as at 31 December 2020.

Deferred tax

Management review the deferred tax asset position and its recoverability in light of the expected future performance and strategy of the business. See note 16 for details.

Stock provisions and doubtful debt provisions

Management review the recoverable amount of stock and debtors at each financial year and provide against any assets which management believe are not recoverable in part or in full.

PEXION LIMITED

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

4. Turnover

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

	2020 £	2019 £
Operations	40,588,765	32,590,730
Acquisitions	-	24,159,028
	<u>40,588,765</u>	<u>56,749,758</u>
Discontinued operations	375,447	1,977,801
	<u>40,964,212</u>	<u>58,727,559</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	34,128,002	51,325,083
Rest of Europe	2,782,205	2,646,305
Rest of the world	4,054,005	4,756,021
	<u>40,964,212</u>	<u>58,727,409</u>

5. Other operating income

	2020 £	2019 £
Other operating income	13,027	10,550
Government grants	896,638	-
Profit on disposal of tangible assets	39,533	150
	<u>949,198</u>	<u>10,700</u>

Government grants represent amounts received under the Coronavirus Job Retention Scheme (CJRS).

PEXION LIMITED

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

6. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Amortisation	967,318	1,336,523
Depreciation	1,813,089	1,912,629
Operating lease rentals - land and buildings	714,753	650,752
Operating lease rentals - other	99,578	102,129
Profit on sale of tangible assets	(39,533)	(150)
	<u>967,318</u>	<u>1,336,523</u>

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	87,700	62,000
	<u>87,700</u>	<u>62,000</u>

Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	38,000	29,200
Taxation advisory services	12,075	36,900
Transaction services advice	-	51,646
Loan covenant review	-	4,800
Accounts production	55,900	41,800
	<u>105,975</u>	<u>164,346</u>

PEXION LIMITED

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

8. Employees

	Group 2020 £	Group 2019 £
Wages and salaries	17,535,043	19,214,035
Social security costs	1,620,609	1,780,473
Other pension costs	958,292	1,079,368
	<u>20,113,944</u>	<u>22,073,876</u>

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

	2020 No.	2019 No.
Production staff	467	505
Administration staff	115	146
	<u>582</u>	<u>651</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	25,625	63,613
Company contributions to defined contribution pension schemes	10,000	-
	<u>35,625</u>	<u>63,613</u>

The highest paid director received remuneration of £12,813 (2019: £41,437).

10. Interest receivable

	2020 £	2019 £
Other interest receivable	<u>258</u>	<u>13,339</u>

PEXION LIMITED

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

11. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	1,192,008	1,207,594
Other loan interest payable	-	204
Finance leases and hire purchase contracts	105,541	120,396
Other interest payable	72,000	69,000
	<u>1,369,549</u>	<u>1,397,194</u>

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on (loss)/profit for the year	(10,062)	411,169
Adjustments in respect of previous periods	(87,333)	(341,373)
	<u>(97,395)</u>	<u>69,796</u>
Total current tax	<u>(97,395)</u>	<u>69,796</u>
Deferred tax		
Origination and reversal of timing differences	(666,502)	81,913
Changes to tax rates	324	7,328
Adjustments in respect of prior periods	67,526	-
Total deferred tax	<u>(598,652)</u>	<u>89,241</u>
Taxation on loss for the year	<u>(696,047)</u>	<u>159,037</u>

PEXION LIMITED

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

12. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(3,514,504)</u>	<u>(1,120,662)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(667,756)	(212,926)
Effects of:		
Expenses not deductible for tax purposes	260,373	559,832
Expenses not deductible for tax purposes - pension contributions	(28,880)	(315,020)
Deferred tax credit charged directly to equity	-	281,142
Adjust opening tax rate - deferred tax	(50,844)	297
Difference between capital allowances and depreciation	17,481	176,228
Adjustments in respect of previous periods - current tax	(105,277)	(198,825)
Deferred tax not recognised	(265,151)	28,845
Adjustments in respect of previous periods - deferred tax	67,576	(177,718)
Chargeable gains	-	158,208
Deferred tax on property revaluations	-	(141,555)
Other movements	(129)	529
Group relief	14,302	-
Relief in respect of prior losses	62,258	-
Total tax charge for the year	<u><u>(696,047)</u></u>	<u><u>159,037</u></u>

PEXION LIMITED

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

12. Taxation (continued)**Factors that may affect future tax charges**

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. Accordingly, this rate is applicable in the measurement of deferred tax assets and liabilities at 31 December 2020. Deferred tax has been provided at 19% being the rate at which temporary differences are expected to reverse. However, in March 2021, the 2021 Budget included an announcement to increase the standard rate of corporation tax rate from 19% to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. Since the rate increase was not substantively enacted at the balance sheet date, deferred tax has been provided at 19%. The maximum impact on deferred tax balances of the rate increase is estimated to be a net £90,887.

13. Dividends

	2020 £	2019 £
Dividends paid of £0.168 per ordinary share (2019: £0.168)	445,000	435,417

14. Exceptional administrative expenses

	2020 £	2019 £
Exceptional administrative expenses	2,082,148	-

Exceptional costs relate to the costs incurred as a direct result of the director's pandemic mitigation actions to provide financial stability and improve the financial performance of the Group in the longer term.

PEXION LIMITED

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

15. Intangible assets**Group**

	Goodwill £
Cost	
At 1 January 2020	27,012,102
Additions	216,106
Disposal of subsidiary	(185,891)
Amounts written off	(3,106,053)
At 31 December 2020	<u>23,936,264</u>
Amortisation	
At 1 January 2020	7,008,107
Charge for the year	967,318
On disposals	(187,801)
At 31 December 2020	<u>7,787,624</u>
Net book value	
At 31 December 2020	<u><u>16,148,640</u></u>
At 31 December 2019	<u><u>20,003,995</u></u>

The additions in the year reflect deferred consideration and fees paid in respect of subsidiaries acquired in the previous year

PEXION LIMITED

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

16. Tangible fixed assets

Group

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office and computer equipment £	Total £
Cost or valuation							
At 1 January 2020	6,945,874	372,390	22,239,622	176,019	1,905,937	410,136	32,049,978
Additions	5,402	110,685	1,683,480	-	184,858	15,621	2,000,046
Disposal with sale of subsidiary	(697,449)	-	(362,684)	(35,542)	(65,838)	(81,148)	(1,242,661)
Disposals	-	-	(3,186,982)	(30,771)	(36,730)	(26,300)	(3,280,783)
Revaluations	180,152	-	-	-	-	-	180,152
At 31 December 2020	<u>6,433,979</u>	<u>483,075</u>	<u>20,373,436</u>	<u>109,706</u>	<u>1,988,227</u>	<u>318,309</u>	<u>29,706,732</u>
Depreciation							
At 1 January 2020	639,647	293,952	15,509,702	161,086	1,310,704	306,981	18,222,072
Charge for the year	159,436	12,525	1,334,467	3,272	262,974	40,415	1,813,089
Disposals with sale of subsidiary	(126,589)	-	(209,516)	(32,133)	(38,499)	(75,230)	(481,967)
Disposals	-	-	(2,876,344)	(29,199)	(39,528)	(25,822)	(2,970,893)
At 31 December 2020	<u>672,494</u>	<u>306,477</u>	<u>13,758,309</u>	<u>103,026</u>	<u>1,495,651</u>	<u>246,344</u>	<u>16,582,301</u>
Net book value							
At 31 December 2020	<u>5,761,485</u>	<u>176,598</u>	<u>6,615,127</u>	<u>6,680</u>	<u>492,576</u>	<u>71,965</u>	<u>13,124,431</u>
At 31 December 2019	<u>6,306,227</u>	<u>78,438</u>	<u>6,729,920</u>	<u>14,933</u>	<u>595,233</u>	<u>103,155</u>	<u>13,827,906</u>

PEXION LIMITED

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

16. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Leasehold land and buildings	-	21,727
Plant and machinery	2,664,797	3,885,353
Furniture and fittings	39,653	64,690
Freehold land and buildings	25,902	26,454
	<u>2,730,352</u>	<u>3,998,224</u>

Depreciation charge of assets held under finance leases or hire purchase contracts are as follows:

	2020 £	2019 £
Leasehold land and buildings	-	460
Plant and machinery	547,359	674,587
Motor vehicles	-	-
Furniture and fittings	4,752	14,126
Freehold land and buildings	552	552
	<u>552,663</u>	<u>689,725</u>

The land and buildings were revalued during the year using a Directors valuation based on valuations carried out by third parties post year end, the revaluation surplus has been taken to the statement of comprehensive income. A deferred tax liability of £158,208 (2019: £141,555) has also been recognised. The historic cost of the land and buildings is £5,014,231.

PEXION LIMITED

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

16. Tangible fixed assets (continued)**Company**

	Leasehold land and buildings improvements £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2020	7,000	539,011	546,011
Additions	101,800	105,636	207,436
At 31 December 2020	<u>108,800</u>	<u>644,647</u>	<u>753,447</u>
Depreciation			
At 1 January 2020	1,917	235,554	237,471
Charge for the year on owned assets	2,647	181,490	184,137
At 31 December 2020	<u>4,564</u>	<u>417,044</u>	<u>421,608</u>
Net book value			
At 31 December 2020	<u>104,236</u>	<u>227,603</u>	<u>331,839</u>
At 31 December 2019	<u>5,083</u>	<u>303,457</u>	<u>308,540</u>

Finance leases

No assets are held under a finance lease or hire purchase contract in the Company.

PEXION LIMITED

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

17. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	42,570,071
Additions	216,107
Amounts written off	(3,106,053)
At 31 December 2020	<u>39,680,125</u>
Impairment	
At 1 January 2020	2,267,624
At 31 December 2020	<u>2,267,624</u>
Net book value	
At 31 December 2020	<u><u>37,412,501</u></u>
At 31 December 2019	<u><u>40,302,447</u></u>

Amounts written off relate to deferred consideration written off as no longer payable.

PEXION LIMITED

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

17. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Crossley Advanced Engineering Limited \$	08114073	Holding company	Ordinary	100%
Drurys Engineering Limited \$	02970004	Engineering services	Ordinary	100%
Beldam Burgmann Limited*	01045146	Dormant	Ordinary	100%
Henry Crossley (Packings) Limited*	00269730	Dormant	Ordinary	100%
Paragon Precision Limited \$	02147813	Engineering services	Ordinary	100%
Claro Limited** \$	04830342	Holding company	Ordinary	100%
Claro Precision Engineering Limited** \$	01374225	Supply of machines and parts	Ordinary	100%
Diamondbar Limited** \$	04970233	Holding company	Ordinary	100%
Premier Deep Hole Drilling Limited** \$	01215178	Manufacture complex machines and deep bore components	Ordinary	100%
Pexion.com Limited*	00497193	Dormant	Ordinary	100%
Rictor Engineering Limited \$	01808132	Sheet metal fabrication	Ordinary	100%
Beldam Limited*	06720999	Dormant	Ordinary	100%
S.K.N. Electronics Limited \$	02012444	Assembly of circuit boards for the electronics industry	Ordinary	100%
Birkdale Engineering Company Limited \$	04630149	Construction of commercial buildings	Ordinary	100%
Precision Engineering Pieces Limited \$	01491299	Manufacturing of metal products	Ordinary	100%
Oxton Engineering Company Limited** \$	05743237	Manufacture of other machine tools	Ordinary	100%
Oxton Engineering (2006) Limited \$	01426174	Holding company	Ordinary	100%
Phasa Limited** \$	06125612	Manufacture of other special purpose machinery	Ordinary	100%
Tevtec Limited \$	08481748	Holding company	Ordinary	100%
HT Tooling Solutions Limited ** \$	02600078	Manufacture of precision injection mould tooling	Ordinary	100%
Hanson Thorpe Holdings Limited \$	08804270	Holding company	Ordinary	100%
Elite Tooling Solutions Limited \$	09521961	Manufacture of precision injection mould tooling	Ordinary	100%
Alan Gordon Engineering Co Limited **\$	02112664	Manufacture of fabricated metal products	Ordinary	100%
Alan Gordon Holdings Limited \$	07203635	Holding company	Ordinary	100%
CLE 2016 Limited \$	10244159	Holding company	Ordinary	100%

PEXION LIMITED

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

17. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

Name	Registered office	Principal activity	Class of shares	Holding
Clitheroe Light Engineering Co Limited **\$	04300370	Manufacture of other special purpose machinery	Ordinary	100%
Simtek EMS Limited \$	04640681	Manufacture of electronic components	Ordinary	100%
Nitronica Limited \$\$	NI044632	Manufacture of loaded electronic boards	Ordinary	100%
Amagas Offshore Solutions Limited * **	NI602515	Holding company	Ordinary	100%

* Dormant

** Owned by another Group entity

\$ Companies that are entitled to and have taken advantage of the exemption from audit available under Section 479A of the Companies Act 2006 relating to subsidiary companies. Pexion Limited has guaranteed the external debts of these subsidiaries, amounts of which have been summarised in the table below.

\$\$ Company audited by component auditor.

The above companies are incorporated in Great Britain, registered in England and Wales except for Nitronica Limited and Amagas Offshore Solutions Limited which are registered in Northern Ireland. All the above companies are wholly owned by Pexion Limited unless otherwise stated.

PEXION LIMITED

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

17. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

The carrying value of the investments and the aggregate of the share capital and reserves as at 31 December 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £	Total of external debt guarantee provided on £
Crossley Advanced Engineering Limited	918,150	4,447,711	803,116
Drurys Engineering Limited	1,739,864	144,085	771,763
Beldam Burgmann Limited	(100,496)	-	-
Henry Crossley (Packings) Limited	1	-	-
Paragon Precision Limited	758,318	(49,534)	633,844
Claro Limited	94,697	3,500,000	-
Claro Precision Engineering Limited	518,614	(115,998)	639,960
Diamondbar Limited	785,488	93,258	1,650,704
Premier Deep Hole Drilling Limited	(470,840)	(893,367)	1,535,077
Pexion.com Limited	204,000	-	-
Rictor Engineering Limited	154,635	(129,591)	458,658
Beldam Limited	1	-	-
S.K.N. Electronics Limited	1,363,087	(263,830)	778,633
Birkdale Engineering Company Limited	(174,484)	(141,000)	275,513
Precision Engineering Pieces Limited	1,538,512	(12,060)	505,640
Oxton Engineering Company Limited	3,032,898	(19,029)	868,286
Oxton Engineering (2006) Limited	832,651	789,952	-
Phasa Limited	707,318	(182,167)	-
Tevtec Limited	2,017,198	299,959	-
HT Tooling Solutions Limited	607,613	(324,172)	560,343
Hanson Thorpe Holdings Limited	659,433	225,000	-
Elite Tooling Solutions Limited	178,819	31,452	-
Alan Gordon Engineering Co Limited	565,427	(78,725)	371,931
Alan Gordon Holdings Limited	1,090,510	(61)	-
CLE 2016 Limited	217,616	(39)	-
Clitheroe Light Engineering Co Limited	2,597,577	(8,544)	308,381
Simtek EMS Limited	2,540,261	142,851	343,465
Nitronica Limited	3,993,727	97,391	1,080,275
Amagas Offshore Solutions Limited	1	-	-

PEXION LIMITED

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

18. Stocks

	Group 2020 £	<i>Group 2019 £</i>
Raw materials and consumables	3,475,335	3,238,550
Work in progress (goods to be sold)	1,808,779	2,121,244
Finished goods and goods for resale	972,493	933,793
	<u>6,256,607</u>	<u>6,293,587</u>

The carrying value of stocks are stated net of impairment losses totalling £Nil (2019 - £402,408). Impairment losses totalling £Nil (2019 - £402,408) were recognised in profit and loss.

19. Debtors

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Due after more than one year				
Other debtors	253,984	783,333	-	-
Due within one year				
Trade debtors	7,665,074	11,220,016	34,271	38,278
Amounts owed by group undertakings	-	-	7,684,219	-
Other debtors	191,354	280,588	19,107	9,748
Prepayments and accrued income	760,066	840,970	345,376	442,392
Deferred taxation	287,876	50,698	676,575	626,697
	<u>9,158,354</u>	<u>13,175,605</u>	<u>8,759,548</u>	<u>1,117,115</u>

20. Cash and cash equivalents

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Cash at bank and in hand	17,481	45,213	-	-
Less: bank overdrafts	(733,269)	(403,240)	(2,691,955)	(1,530,856)
	<u>(715,788)</u>	<u>(358,027)</u>	<u>(2,691,955)</u>	<u>(1,530,856)</u>

PEXION LIMITED

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

21. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank overdrafts	733,269	403,240	2,691,955	1,530,856
Bank loans	2,889,349	1,145,943	2,637,500	887,500
Other loans	120,000	120,000	-	-
Payments received on account	374,898	418,450	-	-
Trade creditors	4,877,525	5,179,147	88,881	232,751
Amounts owed to group undertakings	-	-	14,477,401	11,988,005
Corporation tax	344,674	399,204	-	-
Other taxation and social security	2,160,783	1,587,331	287,477	61,886
Obligations under finance lease and hire purchase contracts	959,979	875,208	-	-
Other creditors	6,141,396	9,484,553	886,944	1,744,828
Accruals and deferred income	2,570,673	1,982,777	672,144	400,775
	21,172,546	21,595,853	21,742,302	16,846,601

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

22. Creditors: Amounts falling due after more than one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank loans	14,893,485	17,416,882	12,557,874	14,472,500
Other loans	34,000	154,000	-	-
Net obligations under finance leases and hire purchase contracts	1,868,504	1,812,617	-	-
Other taxation and social security	1,432,605	-	-	-
Other creditors	1,031,945	4,432,598	1,002,000	4,140,168
	19,260,539	23,816,097	13,559,874	18,612,668

Bank loans are secured by way of a debenture over Pexion Limited and other group companies.

All financial liabilities are denominated in UK pounds sterling. The financial liabilities carry floating rates of interest, based upon market rates prevailing at the time.

PEXION LIMITED

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

23. Loans

Included in the above are amounts falling due as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts falling due within one year				
Bank loans	2,889,349	1,145,943	2,637,500	887,500
Other loans	120,000	120,000	-	-
	3,009,349	1,265,943	2,637,500	887,500
Amounts falling due 2-5 years				
Bank loans	7,411,625	15,222,744	6,800,000	14,472,500
Other loans	34,000	154,000	-	-
	7,445,625	15,376,744	6,800,000	14,472,500
Amounts falling due after more than 5 years				
Bank loans	7,481,860	2,194,138	5,757,874	-
	17,936,834	18,836,825	15,195,374	15,360,000

PEXION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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23. Loans (continued)

Bank loans relate to the Term loan facility, £15,195,374 (2019: £15,359,999). Mortgage facilities balance £2,587,461 (2019: £3,202,825).

The other loan, £154,000, (2019: £274,000) will be repaid by April 2022.

The group holds a number of loans with HSBC. The loan repayment terms and interest rates are summarised below:

Facility	Repayment date	Interest rate
Commercial mortgage facility	October 2022	2.99% per annum fixed
Commercial mortgage facility	November 2036	2.5% per annum over the Bank of England base rate
Commercial mortgage facility	November 2035	2.5% per annum over the Bank of England base rate
Commercial mortgage facility	November 2036	Fixed at 3.19%
Commercial mortgage facility	February 2037	3% per annum over the Bank of England base rate
Commercial mortgage facility	November 2026	Fixed at 3.69%
Commercial mortgage facility	November 2037	Fixed at 3.78%

Security held

The bank loans and overdrafts are secured through:

First legal charge date 2 November 2016 over freehold property known as Unit 2, Harpings Road, Hull, HU5 4JF.

First legal charge dated 13 September 2016 over the freehold property known as 1 Derby Street, Denton, M34 3SD.

First legal charge dated 4 November 2015 over freehold property known as Unit, 2, 3, 4 Wellington Road, London Colney, St Albans, Hertfordshire, AL2 1EY and Drilling Unit, Wellington Road, London Colney, St Albans, Hertfordshire, AL2 1EY.

First legal charge dated 19 March 2018. Over freehold property known as land on the South Side of Bridge Street and 122 Cleveland Street, Birkenhead title numbers (M10999 and MS316858).

First legal charge dated 27 January 2017 over freehold property known at 60B Cemetery Road, Southport, Merseyside PR8 5EF.

First legal charge dated 7 September 2012 over freehold property known at 21 Wilbury Way, Hitchin, SG4 0TY.

Debenture including fixed charge over all present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertaking both present and future.

Composite company limited multilateral guarantee dated 17 November 2015 given by all companies within the Pexion Limited group.

PEXION LIMITED

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

24. Analysis of net debt

	At 1 January 2020 £	Cash flows £	Acquisition and disposal of subsidiaries £	New finance leases £	Drawdown of term loan £	At 31 December 2020 £
Cash at bank and in hand	45,213	129,077	(156,809)	-	-	17,481
Bank overdrafts	(403,240)	(330,029)	-	-	-	(733,269)
Debt due after 1 year	(17,570,882)	3,591,271	-	-	(947,875)	(14,927,486)
Debt due within 1 year	(1,265,943)	(2,099,056)	355,649	-	-	(3,009,350)
Finance leases	(2,687,825)	913,366	53,162	(1,107,186)	-	(2,828,483)
	<u>(21,882,677)</u>	<u>2,204,629</u>	<u>252,002</u>	<u>(1,107,186)</u>	<u>(947,875)</u>	<u>(21,481,107)</u>

25. Obligations under finance leases and hire purchase contracts

Minimum lease payments under hire purchase fall due as follows:

	Group 2020 £	Group 2019 £
Within one year	959,667	875,208
Between 1-5 years	1,868,813	705,686
Over 5 years	-	1,106,931
	<u>2,828,480</u>	<u>2,687,825</u>

The Group uses finance leases and hire purchase contracts to acquire plant and machinery. Future minimum lease payments due under finance leases and hire purchase contracts are shown above.

PEXION LIMITED

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

26. Deferred taxation**Group**

	2020 £	2019 £
At beginning of year	50,698	67,201
Charged to profit and loss	582,000	(81,913)
Charged to other comprehensive income	(358,910)	281,142
Disposals/ (acquisitions)	14,088	(215,732)
At end of year	287,876	50,698

Company

	2020 £	2019 £
At beginning of year	626,697	408,492
Charged to profit and loss	408,788	(62,937)
Charged to other comprehensive income	(358,910)	281,142
At end of year	676,575	626,697

The deferred tax asset is made up as follows:

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Accelerated capital allowances	(615,079)	(684,876)	4,870	-
Losses and deductions	658,515	144,865	285,480	-
Defined benefit pension scheme	358,720	643,752	358,720	643,752
Capital gains	(158,208)	(67,712)	-	-
Other timing differences	43,928	14,669	27,505	(17,055)
	287,876	<i>50,698</i>	676,575	<i>626,697</i>

PEXION LIMITED

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

27. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
2,537,760 Ordinary shares of £1.00 each	2,537,760	2,537,760
164,400 A Ordinary shares of £1.00 each	16,440	16,440
	<u>2,554,200</u>	<u>2,554,200</u>
	2020 £	2019 £
Allotted, called up and unpaid		
147,960 A Ordinary shares of £1.00 each	147,960	147,960
	<u>147,960</u>	<u>147,960</u>

All ordinary shares rank pari passu.

28. Reserves

Share premium account - represents the value above nominal value of shares issued.

Capital redemption reserve - represents the nominal value of shares purchased and cancelled by the company, less the proceeds received.

Profit and loss account - represents all current and prior year retained profits and losses.

Revaluation reserve - represents the current and prior year unrealised revaluation gains on fixed assets.

PEXION LIMITED

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29. Discontinued operations

On 7 August 2020 the Group sold its entire shareholding in Paragon Toolmaking Co Limited through the sale of trade and assets for a total consideration of £555,000. The following table summarises the consideration receivable by the Group, the fair value of the assets sold and the liabilities assumed at the sale price.

	£
Proceeds	555,000
	<hr/> 555,000
Net assets disposed of:	
Fixed assets	760,692
Stocks	221,719
Debtors	184,327
Cash	156,809
Creditors	(850,641)
	<hr/> (472,906)
Profit on disposal before tax	<hr/> 82,094 <hr/>

Included in creditors and disposed of with the entity are loans of £355,649 and hire purchase of £53,162.

The proceeds in respect of the sale of Paragon Toolmaking Co Limited is as follows:

	£
Cash consideration and net cash inflow from sale of Paragon Toolmaking Co Limited	235,000
Deferred consideration	320,000
Net inflow of cash	<hr/> 555,000 <hr/>

30. Contingent liabilities

The Group has given a guarantee in respect of the bank loans, overdrafts and invoice discounting advances of Pexion Limited and its subsidiaries. The maximum potential liability to the company as at 31 December 2020 amounted to £26,285,803 (2019: £26,051,464).

31. Capital commitments

There were no other capital commitments within the Group as at 31 December 2020 (31 December 2019: £Nil).

PEXION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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32. Pension commitments

The Company sponsors a funded defined benefit pension plan, the Pexion Group Pension and Life Assurance Scheme ("the Scheme"). The Scheme is a multi-employer scheme and the Company is responsible for the majority of the Scheme liabilities. The disclosures below are in respect of the whole Scheme.

The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 28 February 2018 and showed a deficit of £4.5m. A contribution of £0.52m is expected to be paid by the Company to the Scheme during the year ending on 31 December 2021.

The results of the funding valuation at 28 February 2018 have been adjusted to the new balance sheet date, taking account of experience over the period since 28 February 2018, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

Principal actuarial assumptions used to calculate the liabilities under FRS 102 are:

	2020	2019
	%	%
Discount rate	1.4	2.00
Price inflation (RPI)	3.00	3.05
Price inflation (CPI)	2.20	2.15
Pension increases (CPI inflation up to 5% p.a.)	2.20	2.15
 Mortality rates		
- for a male aged 65 now	21.7	21.6
- at 65 for a male aged 45 now	23.4	23.3
- for a female aged 65 now	23.6	23.5
- at 65 for a female member aged 45 now	25.5	25.4

Cash commutation- On average members commute 40% of their pension for a cash sum at retirement.

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32. Pension commitments (continued)

The scheme assets are invested in the following asset classes:

	2020 £	2019 £
Equity	11,533,000	10,931,000
Bonds	3,964,000	3,389,000
Other	1,400,000	688,000
Total market value of plan assets	16,897,000	15,008,000

None of the scheme assets are invested in the company's financial instruments or in property occupied by, or other assets used by, the company.

	2020 £	2019 £
Reconciliation of funded status to balance sheet		
Fair value of scheme assets	16,897,000	15,008,000
Present value of funded Defined Benefit Obligation	(18,785,000)	(18,785,000)
Liability recognised on the balance sheet	(1,888,000)	(3,777,000)

The amounts recognised in profit or loss are as follows:

	2020 £	2019 £
Administrative expenses	(189,000)	(126,000)
Interest on net defined benefit liability	(72,000)	(69,000)
Pension expense recognised in profit and loss	(261,000)	(195,000)

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income was £Nil (2019: £Nil).

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32. Pension commitments (continued)

	2020 £	2019 £
Actuarial losses due to changes in financial assumptions	(343,000)	(2,767,000)
Gain on plan assets	2,029,000	1,109,000
Actuarial gains/ (losses) on defined benefit pension scheme recognised in other comprehensive income	1,686,000	(1,658,000)

	2020 £	2019 £
Changes in defined benefit obligation over the year		
Opening defined benefit obligation	18,785,000	16,440,000
Interest expense on defined benefit obligation	371,000	468,000
Actuarial losses on scheme liabilities	343,000	2,767,000
Net benefits paid out	(714,000)	(890,000)
	18,785,000	18,785,000

Changes to fair value of the Scheme assets during the year:

	2020 £	2019 £
Opening fair value of scheme assets	15,008,000	13,966,000
Interest income on Scheme assets	299,000	399,000
Administration costs incurred	(189,000)	(126,000)
Actuarial gains on scheme assets	2,029,000	1,109,000
Contributions by the employer	464,000	550,000
Net benefits paid out	(714,000)	(890,000)
Closing fair value of scheme assets	16,897,000	15,008,000

PEXION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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32. Pension commitments (continued)

	2020 £	2019 £
Actual return on Scheme assets		
Interest income on Scheme assets	299,000	399,000
Gain on Scheme assets	2,029,000	1,109,000
Actual return on Scheme assets	<u>2,328,000</u>	<u>1,508,000</u>

Defined contribution schemes

During the year, the group also operated a Group Personal Pension Plan, the assets of which are held in independently administered funds.

33. Commitments under operating leases

At 31 December 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	670,508	685,751	14,976	-
Expiring between 1 and 5 years	1,970,646	2,125,700	-	-
Expiring after 5 years	668,966	1,027,070	-	-
	<u>3,310,120</u>	<u>3,838,521</u>	<u>14,976</u>	<u>-</u>

34. Related party transactions

The group has taken the exemption under FRS 102 not to disclose transactions with group companies.

35. Controlling party

The ultimate controlling parties of the company are the shareholders.