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Registered number: 02033029

PEXION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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PEXION LIMITED

COMPANY INFORMATION

Directors	D J Brindle D J Turner
Registered number	02033029
Registered office	Crosses Barn Shaw Brow Whittle-Le-Woods Chorley PR6 7HG
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 Altia Spa Road Bolton BL1 AG

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PEXION LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

The Group has achieved significant growth over the past year through the continued implementation of its Strategic Plan. As a result, sales increased from £33.3m to £58.7m and operating profit before depreciation, amortisation and investment impairment charges increased from £3.1m to £6.2m. The Group's intention is to continue progressing with the Strategic Plan, identifying, and completing further acquisitions to complement the existing businesses.

Principal risks and uncertainties

A number of customers require adherence to specified criteria and quality controls, which allow the Group to continue to trade with them. This is particularly true of the aerospace industry. A loss of these approvals would cause delays and would then have a financial impact on the Group as well as damaging the customer relationships. The Group operates regular internal and external audits to ensure that the 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, for any reason, be an interruption in supply, production of Group's products could be delayed. The Group mitigates this risk by aiming to have a minimum of two suppliers for all key components and for 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 so that workplace issues are resolved quickly and efficiently.

The Covid-19 global pandemic has significantly affected worldwide business in many of the markets that the Group operates and this, in turn, has affected the Group's business during 2020. Since the year-end the Board have taken, and will continue to take, action to mitigate the effects of Covid-19.

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 consolidated group, divisional and individual business unit management accounts tracking turnover, gross profit, EBITDA and overheads including analysis of variances to budget and prior period comparatives.
- Monthly consolidated group profit and loss, balance sheet and cash flow to ensure compliance with banking covenants.
- Quarterly forecast consolidated group, divisional and individual business unit sales, gross margin, EBITDA, cash flow 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
- Detailed monthly analysis of manufacturing performance including output, efficiency and delivery performance
- Detailed monthly health, safety and environmental reviews.

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Gross revenue

As the prime measure of our 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 £58.7m compared to £33.3m in 2018.

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 2019 was £17.8m *(2018: £11.4m)*.

Financial risk management objectives and policies

During 2018, the Group commenced discussions with its principal banker, HSBC, to renew and extend the £7m revolving credit facility agreed in 2017. These discussions were concluded in January 2019 when the revolving credit facility was extended and replaced with a £17m committed acquisition facility which will continue to be utilised to finance the acquisition of additional businesses identified in the Group's strategic plan. Following a decline in revenue due to the Coronavirus the Group in March 2021 has also secured further financial support by restructuring the repayment profile of the £17m committed acquisition facility and obtaining credit approval for a Coronavirus Business Interruption Loan Scheme (CBILS).

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 and acquisitions.

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 together with overdraft facilities.

Interest rate risk

The Group finances its operations primarily through bank facilities comprising revolving credit, 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.

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.

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Health and safety

The Group gives a high priority to health and safety issues and takes all reasonable measures, and provides sufficient funds, to ensure the health, safety and welfare at work of all its employees. The directors of Pexion Limited ensure that the health and safety policies within the subsidiary companies are correctly regulated and 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.

Employees

The Group maintains a policy of offering employment to disabled persons where practicable, and if an existing employee becomes disabled, every effort is made to provide continuity of employment. Additional training is provided, where appropriate.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed of matters affecting them as employees and on the various factors affecting the performance of the Group.

Covid-19

The Covid-19 global pandemic has significantly affected worldwide business in many of the markets in which the Group operates and this, in turn, has affected the Group's business during 2020. Since the year-end the Board has taken, and will continue to take, actions to mitigate the effects of Covid-19. Actions taken comprise restructuring of the existing HSBC loans, securing a CBILS loan, using the Coronavirus Job Retention Scheme, using the Coronavirus VAT deferral scheme, deferring other HMRC payments and subsequently agreeing time to pay arrangements with HMRC to repay both the deferred VAT and other HMRC payments. The Group is, therefore, well placed to take advantage of a return to pre-pandemic trading levels.

The financial statements have been prepared on a going concern basis acknowledging the existence of a material uncertainty. The following paragraphs set out the basis on which the directors have reached their conclusion. No adjustments have been made in the accounts to reflect this uncertainty.

The Company is funded by a combination of loans and mortgages from the bank, invoice discounting facilities and cash generated from operations. The bank facilities have been renewed in March 2021 and include additional CBILS funding and a restructuring of existing bank debt. Management has a strong relationship with the bank and the renewal of the facilities demonstrates the strength of the relationship.

The Group's businesses were significantly affected by the Covid-19 pandemic during 2020. In order to counter these impacts, management restructured the Group by selling, closing or transferring operations of a number of its businesses, leaving the Group well placed to take advantage of the post-pandemic upturn. The renewal of the bank facilities and the additional funding that this provides strongly indicate that the Group will be able to continue to operate for at least 12 months from the date of approval of these financial statements. Business levels have started to increase from January 2021 onwards and order intake has increased to a level that supports the full year forecasts. However, should these order levels start to decrease significantly or the bank withdraw its support due to the uncertainties caused by Covid-19, there is a risk that additional funding would need to be obtained.

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Whilst the Directors recognise that the combination of these circumstances place a material uncertainty on the business, given the strong indication of continued support from both bank and other stakeholders and the recent upturn in business levels, then they remain confident in the future success of the company.

The Company forecasts and projections, which have been prepared to 31 December 2022, show that the Company will be able to operate within its current cash resources based on the arrangements outlined above. After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. The Company therefore continues to adopt the going concern basis in its financial statements.

This report was approved by the board on 11 March 2021 and signed on its behalf.

Dave Brindle

D J Brindle
Director

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Dividends

The results of the Group for the year to 31 December 2019 are set out in detail on page 10.

The loss for the year was £1.39m *(2018: £0.56m)*. The operating profit of the Group before charging depreciation, amortisation and investment impairment charge for the financial year was £6.2m *(2018: £3.1m)*. After charging depreciation and amortisation of £3.2m and an investment impairment charge of £3.2m the operating loss of the Group for the financial year amounted to £0.25m *(2018: operating profit £1.16m)*.

A dividend of £435,417 was paid in the year *(2018: £Nil)*.

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 and 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.

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, identifying, and completing further acquisitions to complement the existing businesses.

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.

Employment policies provide equal opportunity, irrespective of sex, religion, race or marital status. Applications by persons with disabilities are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria for training and promotion applies to persons with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

Qualifying third party indemnity provisions

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

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.

Post balance sheet events

On 30 January 2020, the World Health Organisation (WHO) announced Coronavirus as a global health emergency and on 11 March 2020, it announced that Coronavirus was a global pandemic. The UK subsequently began a period of lockdown that significantly affected many businesses nationally in terms of their ability to trade effectively.

The Directors continue to monitor and consider the financial impact of the pandemic and take action to mitigate, in particular in relation to cash flow, trading forecast and availability and certainty of funding, taking appropriate mitigation and risk management actions as they are available however the impact is continuing and still uncertain. It is not yet possible to quantify the financial impact of the Coronavirus pandemic.

Pexion Limited sold 100% of the share capital Paragon Toolmaking Co Limited on 4 August 2020 for £555,000.

Other than the above there have been no significant events affecting the Company since the year end.

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 11 March 2021 and signed on its behalf.

Dave Brindle

D J Brindle
Director

GrantThornton

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 2019, 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 2019 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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's or the parent Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's or the parent Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and the parent Company associated with these particular events.

GrantThornton

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

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that if order levels start to decrease significantly or the bank withdraw its support due to the uncertainties caused by Covid-19, there is a risk that additional funding would need to be sought from elsewhere. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that a material uncertainty exists, our audit work included, but was not restricted to:

- obtaining management's base case cash flow forecasts covering the period from 1 January 2020 to 31 December 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions;
- assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- obtaining management's worst-case scenario prepared to assess the potential impact of Covid-19 on the business. We evaluated management's assumptions regarding the impact of a reduction in recurring revenue. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;
- assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and
- assessing the adequacy of related disclosures within the annual 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.

GrantThornton

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 set out on page 5, 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.

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GrantThornton

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.

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

11 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Continuing operations 2019 £	Discontinued operations 2019 £	Total 2019 £	*2018 £*
Turnover: Operations	4	**32,590,580**	**1,977,801**	**34,568,381**	*29,937,376*
Turnover: Acquisitions	4	**24,159,028**	**-**	**24,159,028**	*3,368,812*
Total turnover	4	**56,749,608**	**1,977,801**	**58,727,409**	*33,306,188*
Cost of sales		**(39,642,587)**	**(1,236,257)**	**(40,878,844)**	*(21,884,992)*
Gross profit		**17,107,021**	**741,544**	**17,848,565**	*11,421,196*
Administrative expenses		**(17,269,874)**	**(836,588)**	**(18,106,462)**	*(10,294,284)*
Other operating income	5	**10,700**	**-**	**10,700**	*34,394*
EBITDA		**6,253,650**	**(95,044)**	**6,158,606**	*3,105,645*
Goodwill amortisation	14	**(1,336,523)**	**-**	**(1,336,523)**	*(778,284)*
Depreciation	15	**(1,912,629)**	**-**	**(1,912,629)**	*(1,166,055)*
Impairment charges	14	**(3,156,651)**	**-**	**(3,156,651)**	*-*
Operating (loss)/profit		**(152,153)**	**(95,044)**	**(247,197)**	*1,161,306*
Profit on disposal of subsidiary undertaking	29	**396,844**	**-**	**396,844**	*-*
Interest receivable and similar income	10	**13,339**	**-**	**13,339**	*4,915*
Interest payable and expenses	11	**(1,388,808)**	**(8,386)**	**(1,397,194)**	*(812,938)*
(Loss)/profit before taxation		**(1,130,778)**	**(103,431)**	**(1,234,208)**	*353,283*
Tax on (loss)/profit	12	**(159,037)**	**-**	**(159,037)**	*210,853*
(Loss)/profit for the financial year		**(1,289,815)**	**(103,431)**	**(1,393,245)**	*564,136*
Actuarial (losses)/ gains on defined benefit pension scheme			32	**(1,657,890)**	*1,009,015*
Movement of deferred tax relating to pension deficit			26	**281,142**	*(171,533)*
Total comprehensive income for the year				**(2,769,993)**	*1,401,618*

The notes on pages 18 to 53 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	14		**20,003,995**		*15,662,389*
Tangible assets	15		**13,827,906**		*10,767,865*
			33,831,901		*26,430,254*
Current assets					
Stocks	17	**6,293,587**		*4,152,185*	
Debtors	18	**13,175,605**		*8,198,815*	
Cash at bank and in hand	19	**45,213**		*1,115,451*	
		19,514,405		*13,466,451*	
Creditors: amounts falling due within one year	20	**(21,595,853)**		*(15,636,482)*	
Net current liabilities			**(2,081,448)**		*(2,170,031)*
Total assets less current liabilities			**31,750,453**		*24,260,223*
Creditors: amounts falling due after more than one year	21		**(23,816,097)**		*(16,082,259)*
Net assets excluding pension liability			**7,934,356**		*8,177,964*
Pension liability	32		**(3,777,000)**		*(2,474,000)*
Net assets			**4,157,356**		*5,703,964*
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		**1,658,802**		*-*
Capital redemption reserve	28		**1,262,425**		*1,262,425*
Profit and loss account	28		**(1,540,271)**		*1,665,139*
Equity attributable to owners of the parent Company			**4,157,356**		*5,703,964*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 March 2021.

Dave Brindle
D J Brindle
Director

The notes on pages 18 to 53 form part of these financial statements.

PEXION LIMITED
REGISTERED NUMBER:02033029

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	15		**308,540**		*333,991*
Investments	16		**40,302,447**		*27,283,375*
			40,610,987		*27,617,366*
Current assets					
Debtors	18	**1,117,115**		*3,900,658*	
		1,117,115		*3,900,658*	
Creditors: amounts falling due within one year	20	**(16,846,601)**		*(12,095,248)*	
Net current liabilities			**(15,729,486)**		*(8,194,590)*
Total assets less current liabilities			**24,881,501**		*19,422,776*
Creditors: amounts falling due after more than one year	21		**(18,612,668)**		*(10,419,999)*
Net assets excluding pension liability			**6,268,833**		*9,002,777*
Pension liability	32		**(3,777,000)**		*(2,474,000)*
Net assets			**2,491,833**		*6,528,777*
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			**(1,546,992)**		*2,489,952*
			2,491,833		*6,528,777*

As provided by section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's loss for the year was £3,601,527 *(2018: profit £605,075)*.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 March 2021.

Dave Brindle
D J Brindle
Director

The notes on pages 18 to 53 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	2,554,200	222,200	1,262,425	263,521	4,302,346
Comprehensive income for the year					
Profit for the year	-	-	-	564,136	564,136
Actuarial gains on pension scheme	-	-	-	1,009,015	1,009,015
Deferred tax movements	-	-	-	(171,533)	(171,533)
Total comprehensive income for the year	-	-	-	1,401,618	1,401,618
At 31 December 2018	2,554,200	222,200	1,262,425	1,665,139	5,703,964

The notes on pages 18 to 53 form part of these financial statements.

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)**
Contributions by and distributions to owners					
*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**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	**2,554,200**	**222,200**	**1,262,425**	**1,884,877**	**5,923,702**
Comprehensive income for the year					
Loss for the year	-	-	-	**(232,407)**	**(232,407)**
Actuarial gains on pension scheme	-	-	-	**1,009,015**	**1,009,015**
Deferred tax movements	-	-	-	**(171,533)**	**(171,533)**
Total comprehensive income for the year	-	-	-	**605,075**	**605,075**
At 31 December 2018	**2,554,200**	**222,200**	**1,262,425**	**2,489,952**	**6,528,777**

The notes on pages 18 to 53 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	*2018 £*
Cash flows from operating activities		
(Loss)/profit for the financial year	**(1,393,245)**	*564,136*
Adjustments for:		
Amortisation of intangible assets	**4,493,175**	*778,284*
Depreciation of tangible assets	**1,912,629**	*1,166,055*
Loss on disposal of tangible assets	**(6,451)**	*(33,169)*
Net finance costs	**1,314,855**	*723,024*
Taxation charge	**159,037**	*(210,853)*
Decrease/(increase) in stocks	**1,170,739**	*(532,017)*
Decrease/(increase) in debtors	**51,789**	*(43,783)*
Increase in creditors	**1,509,864**	*1,891,474*
Corporation tax (paid)	**(455,616)**	*(353,612)*
Defined benefit pension scheme expenses and interest	**195,000**	*329,000*
Pension contributions paid	**(549,890)**	*(344,145)*
Profit on sale of investment	**(396,844)**	*-*
Net cash generated from operating activities	**8,005,042**	*3,934,394*
Cash flows from investing activities		
Purchase of subsidiary undertaking	**(11,766,437)**	*(2,947,260)*
Sale of subsidiary undertaking	**41,667**	*-*
Net cash disposed with subsidiary undertaking	**(300,000)**	*-*
Purchase of tangible fixed assets	**(1,769,721)**	*(2,066,103)*
Sale of tangible fixed assets	**250,124**	*47,627*
Interest received	**13,339**	*4,915*
Loans acquired with subsidiary undertaking	**(1,008,871)**	*(202,885)*
Purchase of subdisiary undertakings - prior year acquisitions deferred consideration paid	**(2,697,794)**	*(1,468,633)*
Net cash acquired with subsidiary undertaking	**1,081,923**	*1,372,261*
Loans disposed with subsidiary undertaking	**196,965**	*-*
Net cash from investing activities	**(15,958,805)**	*(5,260,078)*
Cash flows from financing activities		
New long term loans	**11,094,000**	*2,182,310*
Repayment of loans	**(2,854,000)**	*(120,000)*
Repayment of mortgages	**(253,926)**	*(252,973)*
Repayment of finance leases	**(971,901)**	*(602,507)*
Dividends paid	**(435,417)**	*-*
Interest paid	**(1,328,194)**	*(727,939)*

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	*2018* *£*
New finance lease and HP contracts	**1,053,805**	*1,035,757*
Finance lease and HP contracts acquired with company acquisitions	**769,424**	-
Finance lease and HP contracts disposed with Co disposal	**(196,965)**	-
Net cash used in financing activities	**6,876,826**	*1,514,648*
Net (decrease)/increase in cash and cash equivalents	**(1,076,937)**	*188,964*
Cash and cash equivalents at beginning of year	**718,910**	*529,946*
Cash and cash equivalents at the end of year	**(358,027)**	*718,910*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**45,213**	*1,115,451*
Bank overdrafts	**(403,240)**	*(396,541)*
	(358,027)	*718,910*

The notes on 18 to 53 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 Crosses Barn, Shaw Brow, Whittle-le-Woods, Chorley Lancashire, PR6 7HG.

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.

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2. Accounting policies (continued)

2.3 Going concern

The Covid-19 global pandemic has significantly affected worldwide business in many of the markets in which the Group operates and this, in turn, has affected the Group's business during 2020. Since the year-end the Board has taken, and will continue to take, actions to mitigate the effects of Covid-19. Actions taken comprise restructuring of the existing HSBC loans, securing a CBILS loan, using the Coronavirus Job Retention Scheme, using the Coronavirus VAT deferral scheme, deferring other HMRC payments and subsequently agreeing time to pay arrangements with HMRC to repay both the deferred VAT and other HMRC payments. The Group is, therefore, well placed to take advantage of a return to pre-pandemic trading levels.

The financial statements have been prepared on a going concern basis acknowledging the existence of a material uncertainty. The following paragraphs set out the basis on which the directors have reached their conclusion. No adjustments have been made in the accounts to reflect this uncertainty.

The Company is funded by a combination of loans and mortgages from the bank, invoice discounting facilities and cash generated from operations. The bank facilities have been renewed in March 2021 and include additional CBILS funding and a restructuring of existing bank debt. Management has a strong relationship with the bank and the renewal of the facilities demonstrates the strength of the relationship.

The Group's businesses were significantly affected by the Covid-19 pandemic during 2020. In order to counter these impacts, management restructured the Group by selling, closing or transferring operations of a number of its businesses, leaving the Group well placed to take advantage of the post-pandemic upturn. The renewal of the bank facilities and the additional funding that this provides strongly indicate that the Group will be able to continue to operate for at least 12 months from the date of approval of these financial statements. Business levels have started to increase from January 2021 onwards and order intake has increased to a level that supports the full year forecasts. However, should these order levels start to decrease significantly or the bank withdraw its support due to the uncertainties caused by Covid-19, there is a risk that additional funding would need to be obtained.

Whilst the Directors recognise that the combination of these circumstances place a material uncertainty on the business, given the strong indication of continued support from both bank and other stakeholders and the recent upturn in business levels, then they remain confident in the future success of the company.

The Company forecasts and projections, which have been prepared to 31 December 2022, show that the Company will be able to operate within its current cash resources based on the arrangements outlined above. After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. The Company therefore continues to adopt the going concern basis in its financial statements.

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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 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. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Sale of goods
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.

2.6 Interest income

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

2.7 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.

2.8 Borrowing costs

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

2. Accounting policies (continued)

2.9 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 2019.

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.

2.10 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.

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2. Accounting policies (continued)

2.11 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

2.12 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 Consolidated statement of comprehensive income.

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2. Accounting policies (continued)

2.13 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.

2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or 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.

2.15 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.

2.16 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.

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2. Accounting policies (continued)

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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

2. Accounting policies (continued)

2.22 Financial instruments (continued)

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.

2.23 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.

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 2019.

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.

4. Turnover

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

	2019 £	*2018 £*
Operations	**32,590,730**	*29,937,376*
Acquisitions	**24,159,028**	*3,368,812*
	56,749,758	*33,306,188*
Discontinued operations	**1,977,801**	*-*
	58,727,559	*33,306,188*

Analysis of turnover by country of destination:

	2019 £	*2018 £*
United Kingdom	**51,325,083**	*31,818,278*
Rest of Europe	**2,646,305**	*625,283*
Rest of the world	**4,756,021**	*862,627*
	58,727,409	*33,306,188*

5. Other operating income

	2019 £	*2018 £*
Other operating income	**10,550**	*1,225*
Profit on disposal of tangible assets	**150**	*33,169*
	10,700	*34,394*

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6. Operating (loss)/profit

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

	2019	*2018*
	£	*£*
Amortisation	**1,336,523**	*778,284*
Depreciation	**1,912,629**	*1,166,055*
Operating lease rentals- land and buildings	**650,752**	*314,807*
Operating lease rentals- other	**102,129**	*219,631*
Profit on sale of tangible assets	**(150)**	*33,169*

7. *Auditor's remuneration*

	2019	*2018*
	£	*£*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**62,000**	*36,500*

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

Taxation compliance services	**29,200**	*50,350*
Taxation advisory services	**36,900**	*60,325*
Transaction services advice	**51,646**	*99,708*
Loan covenant review	**4,800**	*6,000*
Accounts production	**41,800**	*74,000*
	164,346	*290,383*

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8. Employees

	Group 2019 £	*Group 2018 £*	Company 2019 £	*Company 2018 £*
Wages and salaries	**19,214,035**	*12,379,333*	-	-
Social security costs	**1,780,473**	*1,253,521*	-	-
Other pension costs	**1,079,368**	*500,738*	-	-
	22,073,876	*14,133,592*	-	-

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

	2019 No.	*2018 No.*
Production staff	**505**	*295*
Administration staff	**146**	*112*
	651	*407*

9. Directors' remuneration

	2019 £	*2018 £*
Directors' emoluments	**63,613**	*316,572*

The highest paid director received remuneration of £41,437 *(2018: £187,966)*.

10. Interest receivable

	2019 £	*2018 £*
Other interest receivable	**13,339**	*4,915*

11. Interest payable and similar expenses

	2019 £	*2018* *£*
Bank interest payable	**1,207,594**	*622,326*
Other loan interest payable	**204**	*886*
Finance leases and hire purchase contracts	**120,396**	*104,726*
Interest charge on pension scheme liabilities	**69,000**	*85,000*
	1,397,194	*812,938*

12. Taxation

	2019 £	*2018* *£*
Corporation tax		
Current tax on profits for the year	**411,169**	*155,423*
Adjustments in respect of previous periods	**(341,373)**	*(274,317)*
Total current tax on (loss)/profit for the year	**69,796**	*(118,894)*
Deferred tax		
Origination and reversal of timing differences	**81,913**	*(91,959)*
Other movement	**7,328**	*-*
Total deferred tax	**89,241**	*(91,959)*
Taxation on (loss)/profit on ordinary activities	**159,037**	*(210,853)*

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12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2018: lower than)* the standard rate of corporation tax in the UK of 19% *(2018: 19%)*. The differences are explained below:

	2019 £	*2018 £*
(Loss)/profit on ordinary activities before tax	**(1,120,662)**	*353,283*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(212,926)**	*67,124*
Effects of:		
Expenses not deductible for tax purposes	**559,832**	*132,202*
Expenses not deductible for tax purposes - pension contributions	**(315,020)**	*-*
Amounts charged directly to equity	**-**	*191,713*
Deferred tax credit charged directly to equity	**281,142**	*(171,533)*
Adjust closing tax rate - deferred tax	**-**	*43,502*
Adjustment opening tax rate - deferred tax	**297**	*(70,210)*
Difference between capital allowances and depreciation	**176,228**	*20,827*
Adjustments in respect of previous periods - current tax	**(198,825)**	*(277,505)*
Deferred tax not recognised	**28,845**	*(54,228)*
Adjustment in respect of previous periods- deferred tax	**(177,718)**	*(92,745)*
Chargeable gains	**158,208**	*-*
Deferred tax on property revaluations	**(141,555)**	*-*
Other movements	**529**	*-*
Total tax charge for the year	**159,037**	*(210,853)*

Factors that may affect future tax charges

There will be a reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020.

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13. Dividends

	2019 £	*2018* *£*
Dividends paid of £0.017 per ordinary share (2018: £Nil)	**435,417**	-

At the time of payment, the company had profits available for distribution by dividend based upon assessments made by the Board at the time.

14. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2019	**18,252,145**
Additions	**9,501,720**
Disposals	**(741,763)**
At 31 December 2019	**27,012,102**
Amortisation	
At 1 January 2019	**2,589,756**
Charge for the year on owned assets	**1,336,523**
On disposals	**(74,823)**
Impairment charge	**3,156,651**
At 31 December 2019	**7,008,107**
Net book value	
At 31 December 2019	**20,003,995**
At 31 December 2018	*15,662,389*

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14. Intangible assets (continued)

The additions in the year reflect the acquisitions of subsidiary undertakings summarised below:

	2019 £
CLE 2016 Limited	**2,566,457**
Nitronica Limited	**3,564,724**
Simtek EMS Limited	**2,983,912**
Balancing payments made in respect of subsidiaries acquired in previous year	**386,627**
	9,501,720

CLE 2016 Limited
On 8 February 2019, the group acquired control of 'CLE 2016 Limited' and its subsidiary 'Clitheroe Light Engineering Co Limited' through the acquisition of trade and assets for total consideration of £4,290,506.

Nitronica Limited
On 13 May 2019, the group acquired control of 'Nitronica Limited' and its subsidiary 'Amgas Offshore Solutions Limited' through the acquisition of trade and assets for total consideration of £6,628,840.

Simtek EMS Limited
On 23 July 2019, the group acquired control of 'Simtek EMS Limited' through the acquisition of trade and assets for total consideration of £4,610,463.

Management have estimated the useful lives of the goodwill arising on all three acquisitions to be 20 years.

The following table summarises the consideration paid by the group, the fair value of assets acquired and the liabilities assumed at the acquisition price.

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14. Intangible assets (continued)

	CLE 2016 Limited £	Nitronica Limited £	Simtek EMS Limited £	Total £
Consideration				
Cash	3,840,506	4,428,840	3,110,463	11,379,809
Deferred consideration	450,000	2,200,000	1,500,000	4,150,000
Total consideration	4,290,506	6,628,840	4,610,463	15,529,809
Recognised amounts of identifiable assets acquired and liabilites assumed				
Fixed assets	1,006,651	599,016	395,747	2,001,414
Stock	353,781	2,341,731	751,536	3,447,048
Trade and other debtors	595,379	2,870,316	939,278	4,404,973
Cash	893,109	41,269	935,045	1,869,423
Trade and other creditors*	(1,124,871)	(2,788,216)	(1,395,055)	(5,308,144)
Total identifiable net assets	1,724,049	3,064,116	1,626,551	6,414,714
Goodwill	2,566,457	3,564,724	2,983,912	9,115,093

* Trade and other creditors contains £215,732 of deferred tax liabilities, £769,424 of finance lease and HP contracts and £1,008,871 of loans.

15. Tangible fixed assets

Group

	Freehold land and buildings £	Leasehold improve-ments £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office and computer equipment £	Total £
Cost or valuation							
At 1 January 2019	5,131,892	507,325	19,719,590	174,184	1,725,680	510,327	27,768,998
Additions	13,625	5,665	1,529,245	-	183,137	38,049	1,769,721
Acquisition of subsidiary	-	5,082	1,934,270	1,835	39,388	20,839	2,001,414
Disposals	-	(71,412)	(419,082)	-	(10,807)	(10,283)	(511,584)
Disposal of subsidiary	-	(74,270)	(524,401)	-	(31,461)	(148,796)	(778,928)
Revaluations	1,800,357	-	-	-	-	-	1,800,357
At 31 December 2019	6,945,874	372,390	22,239,622	176,019	1,905,937	410,136	32,049,978
Depreciation							
At 1 January 2019	501,994	349,470	14,488,675	146,258	1,118,601	396,135	17,001,133
Charge for the year on owned assets	137,653	13,444	1,439,444	14,828	222,482	84,778	1,912,629
Disposals	-	(4,339)	(251,425)	-	(6,669)	(5,478)	(267,911)
Disposal of subsidiary	-	(64,623)	(166,992)	-	(23,710)	(168,454)	(423,779)
At 31 December 2019	639,647	293,952	15,509,702	161,086	1,310,704	306,981	18,222,072
Net book value							
At 31 December 2019	6,306,227	78,438	6,729,920	14,933	595,233	103,155	13,827,906
At 31 December 2018	*4,629,898*	*157,855*	*5,230,915*	*27,926*	*607,079*	*114,192*	*10,767,865*

15. Tangible fixed assets (continued)

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

	2019 £	*2018* *£*
Leasehold land and buildings	**21,727**	*22,187*
Plant and machinery	**3,885,353**	*2,706,588*
Motor vehicles	**-**	*11,608*
Furniture and fittings	**64,690**	*72,623*
Freehold land and buildings	**26,454**	*27,650*
	3,998,224	*2,840,656*

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

	2019 £	*2018* *£*
Leasehold land and buildings	**460**	*460*
Plant and machinery	**674,587**	*480,666*
Motor vehicles	**-**	*6,314*
Furniture and fittings	**14,126**	*8,056*
Freehold land and buildings	**552**	*552*
	689,725	*496,048*

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 £141,555 has also been recognised. The historic cost of the land and buildings is £5,145,517.

15. Tangible fixed assets (continued)

Company

	Leasehold land and buildings improvements £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2019	7,000	417,701	424,701
Additions	-	121,310	121,310
At 31 December 2019	7,000	539,011	546,011
Depreciation			
At 1 January 2019	917	89,793	90,710
Charge for the year on owned assets	1,000	145,761	146,761
At 31 December 2019	1,917	235,554	237,471
Net book value			
At 31 December 2019	5,083	303,457	308,540
At 31 December 2018	*6,083*	*327,908*	*333,991*

Finance leases

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

16. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	27,283,375
Additions	15,690,042
Disposals	(403,346)
At 31 December 2019	42,570,071
Impairment	
Charge for the period	2,267,624
At 31 December 2019	2,267,624
Net book value	
At 31 December 2019	40,302,447
At 31 December 2018	*27,283,375*

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16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered number	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 Toolmaking Co Limited** $	07567189	Design and supply of tools	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%

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16. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered number	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 and wholly owned by Pexion Limited unless otherwise stated.

16. 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 2019 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	(1,029,561)	(1,064,566)	2,022,854
Drurys Engineering Limited	1,960,779	442,851	976,670
Beldam Burgmann Limited	(100,496)	-	-
Henry Crossley (Packings) Limited	1	-	-
Paragon Toolmaking Co Limited	1,036,600	95,171	478,817
Paragon Precision Limited	978,073	64,884	697,887
Claro Limited	94,697	-	-
Claro Precision Engineering Limited	4,134,612	457,570	656,305
Diamondbar Limited	1,643,432	94,230	1,620,074
Premier Deep Hole Drilling Limited	422,535	(857,613)	2,191,518
Pexion.com Limited	344,000	-	-
Rictor Engineering Limited	284,226	4,355	496,312
Beldam Limited	1	-	-
S.K.N. Electronics Limited	2,026,917	(125,875)	860,305
Birkdale Engineering Company Limited	(33,484)	(135,700)	278,004
Precision Engineering Pieces Limited	1,550,572	135,851	328,795
Oxton Engineering Company Limited	3,801,927	298,878	912,923
Oxton Engineering (2006) Limited	646,124	36,074	-
Phasa Limited	1,189,485	(418,688)	-
Tevtec Limited	2,717,239	(358)	-
HT Tooling Solutions Limited	1,156,784	(108,509)	476,943
Hanson Thorpe Holdings Limited	694,433	-	-
Elite Tooling Solutions Limited	222,366	36,867	-
Alan Gordon Engineering Co Limited	644,152	202,773	189,073
Alan Gordon Holdings Limited	1,090,570	182	6
CLE 2016 Limited	217,655	(2,032)	-
Clitheroe Light Engineering Co Limited	2,606,120	316,234	636,452
Simtek EMS Limited	2,397,410	770,859	687,591
Nitronica Limited	3,896,336	832,220	-
Amagas Offshore Solutions Limited	-	-	-

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17. Stocks

	Group 2019 £	Group 2018 £
Raw materials and consumables	**3,238,550**	*1,129,448*
Work in progress	**2,121,244**	*1,922,674*
Finished goods	**933,793**	*1,100,063*
	6,293,587	*4,152,185*

The carrying value of stocks are stated net of impairment losses totalling £402,408 *(2018 - £Nil)*. Impairment losses totalling £402,408 *(2018 - £Nil)* were recognised in profit and loss.

18. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Other debtors	**783,333**	-	-	-
Due within one year				
Trade debtors	**11,220,016**	*7,572,054*	**38,278**	-
Amounts owed by group undertakings	-	-	-	*3,384,647*
Other debtors	**280,588**	*66,725*	**9,748**	*20,932*
Prepayments and accrued income	**840,970**	*492,835*	**442,392**	*86,587*
Deferred taxation	**50,698**	*67,201*	**626,697**	*408,492*
	13,175,605	*8,198,815*	**1,117,115**	*3,900,658*

19. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	**45,213**	*1,115,451*	-	-
Less: bank overdrafts	**(403,240)**	*(396,541)*	**(1,530,856)**	*(504,834)*
	(358,027)	*718,910*	**(1,530,856)**	*(504,834)*

20. Creditors: Amounts falling due within one year

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Bank overdrafts	**403,240**	*396,541*	**1,530,856**	*504,834*
Bank loans	**1,145,943**	*252,239*	**887,500**	-
Other loans	**120,000**	*120,000*	-	-
Payments received on account	**418,450**	-	-	-
Trade creditors	**5,179,147**	*4,031,411*	**232,751**	*156,367*
Amounts owed to group undertakings	-	-	**11,988,005**	*9,121,645*
Corporation tax	**399,204**	*293,292*	-	-
Other taxation and social security	**1,587,331**	*1,225,620*	**61,886**	*34,384*
Obligations under finance lease and hire purchase contracts	**875,208**	*648,994*	-	-
Other creditors	**9,484,553**	*6,869,965*	**1,744,828**	*2,176,511*
Accruals and deferred income	**1,982,777**	*1,798,420*	**400,775**	*101,507*
	21,595,853	*15,636,482*	**16,846,601**	*12,095,248*

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

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Bank loans	**17,416,882**	*10,204,510*	**14,472,500**	*6,999,999*
Other loans	**154,000**	*274,000*	-	-
Net obligations under finance leases and hire purchase contracts	**1,812,617**	*1,384,468*	-	-
Other creditors	**4,432,598**	*4,219,281*	**4,140,168**	*3,420,000*
	23,816,097	*16,082,259*	**18,612,668**	*10,419,999*

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.

22. Loans

Included in the above are amounts falling due as follows:

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Amounts falling due within one year				
Bank loans	**1,145,943**	*252,239*	**887,500**	-
Other loans	**120,000**	*120,000*	-	-
	1,265,943	*372,239*	**887,500**	-
Amounts falling due 2-5 years				
Bank loans	**15,222,744**	*7,937,823*	**14,472,500**	*6,999,999*
Other loans	**154,000**	*274,000*	-	-
	15,376,744	*8,211,823*	**14,472,500**	*6,999,999*
Amounts falling due after more than 5 years				
Bank loans	**2,194,138**	*2,266,687*	-	-
	18,836,825	*10,850,749*	**15,360,000**	*6,999,999*

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22. Loans (continued)

Bank loans relate to the Revolving Credit Facility, £6,474,999 (2018: £7,000,000) and the Committed Acquisition Facility £8,885,000 *(2018: £Nil)*. Mortgage facilities balance £3,202,825 *(2018: £3,456,750)*.

The other loan 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	November 2036	2.5% per annum over the Bank of England base rate
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 know as Unit 2, Harpings Road, Hull, HU5 4JF.

First legal charge dated 2 November 2016 over freehold property know as 321 National Avenue, Hull, HU5 4JB.

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.

23. Analysis of net debt

	At 1 January 2019 £	Cash flows £	Acquisition and disposal of subsidiaries £	New finance leases £	At 31 December 2019 £
Cash at bank and in hand	**1,115,451**	**(1,070,238)**	**-**	**-**	**45,213**
Bank overdrafts	**(396,541)**	**(6,699)**	**-**	**-**	**(403,240)**
Debt due after 1 year	**(10,478,511)**	**(7,092,375)**	-	-	**(17,570,886)**
Debt due within 1 year	**(768,781)**	**(497,162)**	-	-	**(1,265,943)**
Finance leases	**(2,033,462)**	**971,901**	**(572,459)**	**(1,053,805)**	**(2,687,825)**
	(12,561,844)	**(7,694,573)**	**(572,459)**	**(1,053,805)**	**(21,882,681)**

24. Obligations under finance leases and hire purchase contracts

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 £	*Group 2018 £*
Within one year	**875,208**	*648,992*
Between 1-5 years	**705,686**	*1,378,518*
Over 5 years	**1,106,931**	*5,951*
	2,687,825	*2,033,461*

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.

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25. Financial instruments

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**12,329,150**	*8,754,230*	**3,424,704**	*3,405,579*
Financial liabilities				
Financial liabilities measured at amortised cost	**(33,973,715)**	*(28,166,367)*	**(30,404,874)**	*(19,060,863)*

Financial assets that are debt instruments measured at amortised cost comprise cash and other assets that have the contractual right to receive cash.

Financial liabilities measured at amortised cost comprise other liabilities which have the contractual obligation to deliver cash.

26. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	67,201	183,113
Charged to profit and loss	(81,913)	91,959
Other movements	281,142	(171,533)
Acquisitions	(215,732)	(36,338)
At end of year	**50,698**	67,201

Company

	2019 £	2018 £
At beginning of year	408,492	582,511
Charged to profit and loss	(62,937)	(2,486)
Charged to other comprehensive income	281,142	(171,533)
At end of year	**626,697**	408,492

The deferred tax asset is made up as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accelerated capital allowances	(684,876)	(518,349)	-	-
Losses and deductions	144,865	-	-	-
Defined benefit pension scheme	643,752	422,472	643,752	422,472
Capital gains	(67,712)	-	-	-
Other timing differences	14,669	163,078	(17,055)	(13,980)
	50,698	67,201	626,697	408,492

27. Share capital

	2019	*2018*
	£	*£*
Allotted, called up and fully paid		
2,537,760 Ordinary shares of £1 each	**2,537,760**	*2,537,760*
16,440 A Ordinary shares of £1 each	**16,440**	*16,440*
	2,554,200	*2,554,200*

All ordinary shares rank pari passu.

28. Reserves

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

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

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

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29. Discontinued operations

On 17 July 2019 the Group sold its entire shareholding in H K (Holdings) Limited Group comprising H K Laser Services Limited, H K Technologies Limited, HK3D Solutions Limited and Hahn & Kolb (Great Britain) Limited through the sale of trade and assets for a total consideration of £1,068,000.

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.

		£
Cash proceeds		**1,068,000**
		1,068,000
Net assets disposed of:		
Tangible fixed assets	**355,149**	
Stocks	**134,907**	
Debtors	**386,225**	
Intangible assets on consolidation	**(666,940)**	
Cash	**300,000**	
Creditors *	**(1,180,497)**	
Net assets disposed of		**671,156**
Profit on sale of subsidiary undertaking		**396,844**

* Included in creditors are loans of £196,965 and hire purchase of £196,965 that were disposed of with the entity.

The net inflow of cash in respect of the sale of H K (Holdings) Limited is as follows:

	£
Cash	**25,000**
Deferred consideration	**1,043,000**
Net inflow of cash	**1,068,000**

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 amounted to £26,051,464 *(2018: £16,777,750)*.

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31. *Capital commitments*

There were no other capital commitments within the Group as at 31 December 2019 *(31 December 2018: £Nil)*.

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 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 £0.45m is expected to be paid by the Company to the Scheme during the year ending on 31 December 2020.

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:

	2019	*2018*
	%	*%*
Discount rate	**2.00**	*2.90*
Price inflation (RPI)	**3.05**	*3.30*
Price inflation (CPI)	**2.15**	*2.20*
Pension increases (CPI inflation up to 5% p.a.)	**2.15**	*2.20*
Mortality rates		
- for a male aged 65 now	**21.6**	*21.6*
- at 65 for a male aged 45 now	**23.3**	*23.2*
- for a female aged 65 now	**23.5**	*23.5*
- at 65 for a female member aged 45 now	**25.4**	*25.3*

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:

	2019	*2018*
	£	*£*
Equity	**10,931,000**	*10,383,000*
Bonds	**4,033,000**	*2,694,000*
Other	**44,000**	*889,000*
Total market value of plan assets	**15,008,000**	*13,966,000*

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.

	2019	*2018*
	£	*£*
Reconciliation of funded status to balance sheet		
Fair value of scheme assets	**15,008,000**	*13,966,000*
Present value of funded Defined Benefit Obligation	**(18,785,000)**	*(16,440,000)*
Liability recognised on the balance sheet	**(3,777,000)**	*(2,474,000)*

The amounts recognised in profit or loss are as follows:

	2019	*2018*
	£	*£*
Administrative expenses	**(126,000)**	*(100,000)*
Interest on net defined benefit liability	**(69,000)**	*(85,000)*
Past service cost	**-**	*(144,000)*
Pension expense recognised in profit and loss	**(195,000)**	*(329,000)*

The cumulative amount of actuarial gains and losses recognised in the Consolidated statement of comprehensive income was £Nil *(2018: £Nil)*.

32. Pension commitments (continued)

	2019 £	2018 £
Actuarial losses/(gains) due to scheme experience	631,890	*(2,064,015)*
Actuarial losses due to changes in financial assumptions	2,135,000	-
Return on plan assets - (loss)/gain	(1,109,000)	*1,055,000*
Actuarial (losses)/ gains on defined benefit pension scheme recognised in other comprehensive income	**1,657,890**	*(1,009,015)*

	2019 £	2018 £
Changes in defined benefit obligation over the year		
Opening defined benefit obligation	16,440,000	*18,952,000*
Interest expense on defined benefit obligation	468,000	*462,000*
Actuarial (gains)/losses on scheme liabilities	2,767,000	*(2,064,000)*
Net benefits paid out	(890,000)	*(1,054,000)*
Past service cost (including curtailments)	-	*144,000*
	18,785,000	*16,440,000*

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

	2019 £	2018 £
Opening fair value of scheme assets	13,966,000	*15,454,000*
Interest income on Scheme assets	399,000	*377,000*
Administration costs incurred	(126,000)	*(100,000)*
Actuarial (losses)/gains on scheme assets	1,109,000	*(1,055,000)*
Contributions by the employer	550,000	*344,000*
Net benefits paid out	(890,000)	*(1,054,000)*
Closing fair value of scheme assets	**15,008,000**	*13,966,000*

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32. Pension commitments (continued)

	2019 £	*2018 £*
Actual return on Scheme assets		
Interest income on Scheme assets	**399,000**	*377,000*
Gain/ (loss) on Scheme assets	**1,109,000**	*(1,055,000)*
Actual return on Scheme assets	**1,508,000**	*(678,000)*

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 2019 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2019 £	*Group 2018 £*
Not later than 1 year	**685,751**	*529,607*
Later than 1 year and not later than 5 years	**2,125,700**	*1,242,094*
Later than 5 years	**1,027,070**	*401,750*
	3,838,521	*2,173,451*

34. Related party transactions

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