COMPANY REGISTRATION NUMBER: 02033029

Pexion Limited

Financial Statements

31 December 2021

Pexion Limited

Financial Statements

Year ended 31 December 2021

Contents

Pexion Limited

Officers and Professional Advisers

The board of directors	Mr. D. J. Turner Mr. D. J. Brindle
Registered office	Pexion Limited George Street Chorley England PR7 2BE
Auditor	BDO Northern Ireland Chartered accountants & statutory auditor Lindsay House 10 Callender Street Belfast BT1 5BN
Bankers	HSBC 2-4 St Ann's Square Manchester M2 7HD
Solicitors	AB Corporate LLP 3 Hardman Street Spinningfields Manchester England M3 3HF

Pexion Limited

Strategic Report

Year ended 31 December 2021

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 and medical markets.

Business review

During a year marked by supply chain difficulties, in particular with electronic components, and the continued impacts of the global Covid-19 pandemic, the directors are satisfied with the performance of the Group. An increase in turnover to £41.3m from £41m reflected the above issues as well as the delay in the recovery of the aerospace sector. The Group reported a satisfactory level of operating profit before depreciation, amortisation and exceptional costs of £4.7m (2020: £2.7m). Exceptional costs totalled £564k representing the financial impact of the ongoing steps taken by the directors to mitigate against the Covid-19 and supply chain issues. The Group's intention is to ensure the mitigating actions successfully completed in 2020 continue to be appropriate and effective and to progress the Strategic Plan.

Principal risks and uncertainties

To continue trading with certain customers the Group is required to hold a number of industry approvals; this is particularly true of the aerospace industry. A loss of approvals would cause delays in, or loss of, sales which would not only have a financial impact on the Group but may also damage customer relationships. The Group operates regular internal and external audits to ensure customer approvals are maintained whilst identifying improvements for the future. The Group is dependent on a relatively small number of suppliers for key materials in the manufacture of certain products. Should there be an interruption in supply production output could be delayed. To reduce this risk the Group's policy is to transact with a minimum of two suppliers for all key components and raw materials. The Group's production staff are well trained and highly skilled in metals processing and electrical component assembly and as such are highly sought after. This may result in a skills shortage if staff were to leave the Group. The Group therefore operates an effective employee feedback process to ensure workplace issues are resolved quickly and efficiently.

Financial key performance indicators

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

•Monthly business unit management accounts tracking turnover, gross profit, EBITDA and overheads including analysis of variances to budget, latest forecast and prior period comparatives.

•Detailed monthly analysis of manufacturing performance including output, efficiency and delivery performance.

•Monthly consolidated profit and loss, balance sheet, cash flow and funds flow tracking turnover, gross profit, EBITDA and overheads including analysis of variances to budget, latest forecast and prior period comparatives.

•Quarterly covenant calculations to ensure compliance with banking covenants.

•Detailed quarterly consolidated, divisional and individual business unit forecasts including sales, gross margin, EBITDA, cash flow, covenants and borrowing capacity with analysis of variance from previous forecasts.

•Daily sales and cash analysis at individual business unit level together with monthly analysis of consolidated order book and orders received.

Pexion Limited

Strategic Report

Year ended 31 December 2021

•Weekly review of aged debtors, cash and working capital against budget and forecast.

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

Gross revenue

As the prime measure of economic output revenue growth is key to measuring shareholder return as continued growth in revenue gives an indication of product quality and sustainability. In the current year, Group revenue was £41.3m compared to £41m in 2020.

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 2021 was £12.1m (2020: £11.5m).

Financial risk management objectives and policies

The Group is funded by a £10m committed acquisition facility, secured in January 2019, and Coronavirus Business Interruption Loan Scheme (CBILS) funding of £5m of which £3.5m was drawn down in April 2021, £750,000 in October 2021 and the final £750,000 in January 2022. In addition to the above facility, the Group uses various financial instruments including cash, bank overdrafts, invoice discounting facilities and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks, which are summarised below. These policies have remained unchanged.

Liquidity risk

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

Interest rate risk

The Group finances its operations primarily through bank facilities comprising committed acquisition facility, the CBILS loan and the use of 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.

Health and safety

The Group gives a high priority to health and safety issues and takes all reasonable measures, and provides sufficient resources, to ensure the health, safety and welfare of all its employees. The directors of Pexion Limited make sure the health and safety policies within the Group ensure compliance with the Health and Safety at Work Act, are observed and regularly reviewed in order to promote a positive health and safety attitude with all our employees. It is a function of management to provide proper equipment and protective clothing and to create an environment in which business operations can be carried out safely. Employees have a responsibility to work in a safe manner. To this end, the Group liaises with external accident prevention organisations and through its safety and training officers, the provision of safety courses and its safety committees, encourages staff to identify and guard against potential hazards. Throughout the pandemic the Group put procedures in place at all sites to ensure that employees were protected. These procedures, as a minimum, guaranteed strict adherence to government guidelines in operation from time to time.

Equal opportunity and employment policy

The Group is committed to offering equal opportunities to all employees regardless of gender, age, race, national or ethnic origin, disability, sexual orientation or marital status. It is the policy of the Group that the training, career development and promotion opportunities are, as far as possible, identical for all employees. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event an existing employee becomes disabled, every effort is made to provide continuity of employment. Additional training is provided, where appropriate.

Engagement with employees

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

Future developments

The Group's short-term focus is to continue maximising working capital and managing short term cash flows within available facilities. The Group will continue to monitor and review all production and back-office functions to 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.

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

The Board comprises of an experienced Executive and Senior Leadership Team with significant sector experience and the appropriate skills, experience and knowledge to make a valuable contribution. The Board annually reviews and approves strategic plans and monitors implementation and progress of the plan throughout the year via regular Senior Leadership Team meetings and monthly board meetings. The Board's priority is to ensure the Directors have acted both individually and collectively in the way they consider most likely to promote the success of the Group for the benefit of its members as a whole and with regard to its stakeholders, comprising funders and Pension Trustees, and to the matters set out in paragraphs a-f of Section 172 of the Companies Act 2006.

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

Pexion Limited

Strategic Report

Year ended 31 December 2021

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

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

The impact of the company's operations on the environment is considered and steps taken, via process review and capital expenditure investment, to ensure production operations are as efficient as possible. Other working practices are reviewed to ensure best practice from both an economic and environmental perspective. The widespread use of video conferencing introduced during the pandemic has now become standard resulting in savings in fuel costs, carbon emissions, and senior management time. The Group have four simple values dedicating the Group to pursuing the very best and most innovative solutions for its customers; customer focus, operational excellence, innovation and growth and integrity. These values have formed a solid foundation from which the business has continued to grow and maintain a reputation for high standard of business conduct.

This report was approved by the board of directors on 21/12/2022 and signed on behalf of the board by:

Dave Brindle
Dave Brindle (Dec 21, 2022 20:40 GMT)

Mr. D. J. Brindle
Director

Registered office:
Pexion Limited
George Street
Chorley
England
PR7 2BE

Pexion Limited

Directors Report

Year ended 31 December 2021

The directors present their report and the financial statements of the group for the year ended 31 December 2021.

Directors

The directors who served the company during the year were as follows:

Mr. D. J. Turner
Mr. D. J. Brindle

Dividends

A dividend of £475,000 was paid in the year (2020: £445,000)

Streamlined Energy and Carbon Reporting (SECR)

Consumption (kWh) and Greenhouse Gas emissions (tCO2e) Totals

The following figures show the consumption and associated emissions for this reporting year for Pexion Group operations, with figures from the previous reporting period included for comparison. The Pexion Group ("Group") includes Pexion Limited and its subsidiary companies.

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

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

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

The total consumption (kWh) figures for reportable energy are as follows:

Utility and Scope	**2021** Consumption (kWh)	2020 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	3,304,341	3,274,198
Gaseous and other fuels (Scope 1)	2,384,091	2,443,894
Transportation (Scope 1)	109,956	93,638
Transportation (Scope 3)	7,690	91,593

Pexion Limited

Directors Report

Year ended 31 December 2021

The total emission (Tco2e) figures for reportable energy supplies are as follows.

Utility and Scope	**2021** Consumption (tCO2e)	2020 Consumption (tCO2e)
Grid-Supplied Electricity (Scope 2)	701.61	763.35
Gaseous and other fuels (Scope 1)	436.67	449.36
Transportation (Scope 1)	25.60	22.40
Transportation (Scope 3)	1.80	21.42
Total	**1,165.68**	**1,256.53**

Intensity metric

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

Intensity Metric	2021 Intensity Metric	2020 Intensity Metric
tCO2e / £m revenue	28.22	29.43

The Group is committed to year-on-year improvements in its operational energy efficiency.

Greenhouse gas emissions and energy consumption

Principal measures taken to increase energy efficiency

Energy efficiency improvements

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

Measures ongoing and undertaken through 2021:

LED lighting refurbishment

The Group has explored methods to improve the energy efficiency of the portfolio. Lighting is identified as an area where improvements can be achieved, and an LED lighting replacement project is planned for 2022.

Company car review

Reviews of the company vehicle portfolio are still being undertaken. However, policies put in place regarding video conferencing and minimising business travel where possible appears to have been successful in reducing emissions associated with business travel in personal vehicles (grey fleet). The Group looks to continue this improvement in 2022.

Pexion Limited

Directors' Report

Year ended 31 December 2021

Employment of disabled persons

The Group is committed to offering equal opportunities to all employees regardless of gender, age, race, national or ethnic origin, disability, sexual orientation or marital status. It is the policy of the Group that the training, career development and promotion opportunities are, as far as possible, identical for all employees. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event an existing employee becomes disabled, every effort is made to provide continuity of employment. Additional training is provided, where appropriate.

Employee involvement

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.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 32 to the financial statements.

Qualifying indemnity provision

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

Disclosure of information in the strategic report

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Pexion Limited

Directors' Report

Year ended 31 December 2021

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

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

Auditor
In accordance with section 487(2) of the Companies Act 2006, the auditors, BDO Northern Ireland, will continue in office.

This report was approved by the board of directors on 21/12/2022 and signed on behalf of the board by:

Dave Brindle
Dave Brindle (Dec 21, 2022 20:40 GMT)

Mr. D. J. Brindle
Director

Registered office:
Pexion Limited
George Street
Chorley
England
PR7 2BE

Pexion Limited

Independent Auditor's Report to the Members of Pexion Limited

Year ended 31 December 2021

Opinion

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 2021 and of the group's loss for the then ended; and

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pexion Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cashflows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence
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.

Conclusions relating to going concern

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

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

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

Pexion Limited

Independent Auditor's Report to the Members of Pexion Limited *(continued)*

Year ended 31 December 2021

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 strategic report or the directors' report.

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

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and the regulatory framework applicable to the group and the industry in which it operates and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006 and FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

We focused on laws and regulations that could give rise to material misstatement in the financial statements. Our tests included but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the year; and
- considering the effectiveness of the control environment and monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risk to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from events and transaction reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Pexion Limited

Independent Auditor's Report to the Members of Pexion Limited *(continued)*

Year ended 31 December 2021

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 form.

Laura Jackson

Laura S V Jackson, senior statutory auditor
For and on behalf of BDO Northern Ireland, statutory auditor
Lindsay House
10 Callender Street
Belfast
BT1 5BN

21/12/2022

Pexion Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	Note	2021 Continuing operations £	2021 Discont'd operations £	2021 Total £	2020 Continuing operations £	2020 Discont'd operations £	2020 Total £
Turnover	4	41,301,841	–	41,301,841	40,588,765	375,447	40,964,212
Cost of sales		29,240,568	–	29,240,568	29,096,036	354,637	29,450,673
Gross profit		12,061,273	–	12,061,273	11,492,729	20,810	11,513,539
Administrative expenses		11,325,133	–	11,325,133	12,116,007	418,098	12,534,105
Other operating income	5	198,057	–	198,057	818,150	91,515	909,665
Exceptional Administrative Expenses		564,340	–	564,340	1,949,519	132,629	2,082,148
Operating profit/(loss)	6	369,857	–	369,857	(1,754,647)	(438,402)	(2,193,049)
Profit on disposal of subsidiary undertaking		–	–	–	47,836	–	47,836
Income from other fixed asset investments	9	83,650	–	83,650	–	–	–
Other interest receivable and similar income	10	–	–	–	258	–	258
Interest payable and similar expenses	11	1,182,083	–	1,182,083	1,369,549	–	1,369,549
Loss before taxation		(728,576)	–	(728,576)	(3,076,102)	(438,402)	(3,514,504)
Tax on loss	12	237,298	–	237,298	(696,047)	–	(696,047)
Loss for the financial year		(965,874)	–	(965,874)	(2,380,055)	(438,402)	(2,818,457)

The consolidated statement of comprehensive income continues on the following page.

Pexion Limited

Consolidated Statement of Comprehensive Income *(continued)*

Year ended 31 December 2021

	Note	2021 Continuing operations £	2021 Discont'd operations £	2021 Total £	2020 Continuing operations £	2020 Discont'd operations £	2020 Total £
Revaluation of tangible assets				–			163,500
Remeasurement of the net defined benefit plan				747,000			1,685,939
Tax relating to components of other comprehensive income				(176,510)			(358,910)
Other comprehensive income for the year				570,490			1,490,529
Total comprehensive loss for the year				(395,384)			(1,327,928)

The notes on pages 24 to 47 form part of these financial statements.

Pexion Limited

Consolidated Statement of Financial Position

31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	14	14,028,596	16,148,640
Tangible assets	15	6,558,557	13,124,431
		20,587,153	29,273,071
Current assets			
Stocks	17	7,039,777	6,256,607
Debtors	18	9,220,189	9,158,354
Cash at bank and in hand		417,283	17,481
		16,677,249	15,432,442
Creditors: amounts falling due within one year	20	19,703,730	21,172,546
Net current liabilities		3,026,481	5,740,104
Total assets less current liabilities		17,560,672	23,532,967
Creditors: amounts falling due after more than one year	21	14,960,588	19,260,539
Provisions	23	127,038	–
Net assets excluding defined benefit pension plan liability		2,473,046	4,272,428
Defined benefit pension plan liability	25	(959,000)	(1,888,000)
Net assets including defined benefit pension plan liability		1,514,046	2,384,428
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	30,000	1,822,302
Capital redemption reserve	28	1,262,425	1,262,425
Profit and loss account	28	(2,554,779)	(3,476,699)
Shareholders funds		1,514,046	2,384,428

These financial statements were approved by the board of directors and authorised for issue on 21/12/2022 and are signed on behalf of the board by:

Dave Brindle

Dave Brindle (Dec 21, 2022 20:40 GMT)

Mr. D. J. Brindle
Director

Company registration number: 02033029

Pexion Limited

Company Statement of Financial Position

31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	15	331,261	331,839
Investments	16	32,218,440	37,412,501
		32,549,701	37,744,340
Current assets			
Debtors	18	8,431,870	8,759,547
Cash at bank and in hand		63,796	–
		8,495,666	8,759,547
Creditors: amounts falling due within one year	20	22,309,581	21,742,303
Net current liabilities		13,813,915	12,982,756
Total assets less current liabilities		18,735,786	24,761,584
Creditors: amounts falling due after more than one year	21	12,801,784	13,559,874
Net assets excluding defined benefit pension plan liability		5,934,002	11,201,710
Defined benefit pension plan liability	25	(959,000)	(1,888,000)
Net assets including defined benefit pension plan liability		4,975,002	9,313,710
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	28	936,177	5,274,885
Shareholders funds		4,975,002	9,313,710

The loss for the financial year of the parent company was £4,434,199 (2020: £5,939,849 profit).

These financial statements were approved by the board of directors and authorised for issue on 21/12/2022 and are signed on behalf of the board by:

Dave Brindle
Dave Brindle (Dec 21, 2022 20:40 GMT)

Mr. D. J. Brindle
Director

Company registration number: 02033029

Pexion Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Note	Called up share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2020		2,554,200	222,200	1,658,802	1,262,425	(1,540,271)	4,157,356
Loss for the year						(2,818,457)	(2,818,457)
Other comprehensive income for the year:							
Revaluation of tangible assets		–	–	163,500	–	–	163,500
Remeasurement of the net defined benefit plan	25	–	–	–	–	1,685,939	1,685,939
Tax relating to components of other comprehensive income	12	–	–	–	–	(358,910)	(358,910)
Total comprehensive loss for the year		–	–	163,500	–	(1,491,428)	(1,327,928)
Dividends paid and payable	13	–	–	–	–	(445,000)	(445,000)
Total investments by and distributions to owners		–	–	–	–	(445,000)	(445,000)
At 31 December 2020		2,554,200	222,200	1,822,302	1,262,425	(3,476,699)	2,384,428
Loss for the year						(965,874)	(965,874)
Other comprehensive income for the year:							
Remeasurement of the net defined benefit plan	25	–	–	–	–	747,000	747,000
Reclassification from revaluation reserve to profit and loss account		–	–	(1,792,302)	–	1,792,302	–
Tax relating to components of other comprehensive income	12	–	–	–	–	(176,510)	(176,510)
Total comprehensive loss for the year		–	–	(1,792,302)	–	1,396,918	(395,384)

The consolidated statement of changes in equity continues on the following page.

Pexion Limited

Consolidated Statement of Changes in Equity *(continued)*

Year ended 31 December 2021

	Note	Called up share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total £
Dividends paid and payable	13	–	–	–	–	(475,000)	(475,000)
Total investments by and distributions to owners		–	–	–	–	(475,000)	(475,000)
At 31 December 2021		2,554,200	222,200	30,000	1,262,425	(2,554,779)	1,514,046

Pexion Limited

Company Statement of Changes in Equity

Year ended 31 December 2021

	Note	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2020		2,554,200	222,200	1,262,425	(1,546,993)	2,491,832
Profit for the year					5,939,849	5,939,849
Other comprehensive income for the year:						
Remeasurement of the net defined benefit plan	25	–	–	–	1,685,939	1,685,939
Tax relating to components of other comprehensive income	12	–	–	–	(358,910)	(358,910)
Total comprehensive profit for the year		–	–	–	7,266,878	7,266,878
Dividends paid and payable	13	–	–	–	(445,000)	(445,000)
Total investments by and distributions to owners		–	–	–	(445,000)	(445,000)
At 31 December 2020		2,554,200	222,200	1,262,425	5,274,886	9,313,711
Loss for the year					(4,434,199)	(4,434,199)
Other comprehensive income for the year:						
Remeasurement of the net defined benefit plan	25	–	–	–	747,000	747,000
Tax relating to components of other comprehensive income	12	–	–	–	(176,510)	(176,510)
Total comprehensive loss for the year		–	–	–	(3,863,709)	(3,863,709)

The company statement of changes in equity
continues on the following page.

Pexion Limited

Company Statement of Changes in Equity *(continued)*

Year ended 31 December 2021

	Note	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
Dividends paid and payable	13	–	–	–	(475,000)	(475,000)
Total investments by and distributions to owners		–	–	–	(475,000)	(475,000)
At 31 December 2021		2,554,200	222,200	1,262,425	936,177	4,975,002

Pexion Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Loss for the financial year		(965,874)	(2,818,457)
Adjustments for:			
Depreciation of tangible assets		1,786,673	1,813,089
Amortisation of intangible assets		957,545	967,318
Impairment of intangible assets		1,022,631	–
Profit on disposal of subsidiary undertaking		(80,000)	(47,836)
Profit on disposal of tangible assets		(317,416)	(38,369)
Net finance costs		1,132,083	1,297,291
Defined benefit pension plan employer contributions		(402,000)	(464,061)
Defined benefit pension scheme expenses and interest		220,000	261,000
Tax charge/(credit)		237,298	(696,047)
Stocks		(783,170)	(184,739)
Trade and other debtors		(589,696)	3,361,748
Trade and other creditors		(1,207,733)	2,651,930
Invoice Discounting		935,761	(2,024,183)
Tax (paid)/received		(127,838)	50,710
Net generated in operating activities		1,818,264	4,129,394
Cash flows from investing activities			
Sale of subsidiary undertakings		239,984	163,350
Purchase of subsidiary undertaking		(150,799)	(216,106)
Net cash disposed with subsidiary undertaking		-	(167,978)
Purchase of tangible assets		(695,040)	(900,043)
Proceeds from sale of tangible assets		5,791,657	348,255
Loans disposed with subsidiary undertaking		-	408,811
Purchase of subsidiary undertakings – Prior year acquisitions deferred consideration paid		(792,333)	(1,621,822)
Interest received		–	258
Net cash from investing activities		4,393,469	(1,985,275)
Cash flows from financing activities			
New long-term loans		5,000,000	947,875
Repayment of loans		(5,494,939)	(1,232,500)
Repayment of mortgages		(2,384,331)	(259,715)
Mortgage disposed with sale of subsidiary undertaking		–	(355,649)
Repayment of finance leases		(994,499)	(913,366)
New Finance lease and HP Contracts		402,190	1,107,186
Finance lease and HP Contracts disposed with sale of subsidiary undertaking		–	(53,162)
Dividends paid		(475,000)	(445,000)
Interest paid		(1,132,083)	(1,297,549)
Net cash used in financing activities		(5,078,662)	(2,501,880)

The notes on pages 24 to 47 form part of these financial statements.

Pexion Limited

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2021

	Note	2021 £	2020 £
Net increase/(decrease) in cash and cash equivalents		1,133,071	(357,761)
Cash and cash equivalents at beginning of year		(715,788)	(358,027)
Cash and cash equivalents at end of year	19	417,283	(715,788)

Pexion Limited

Notes to the Financial Statements

Year ended 31 December 2021

1. **General information**

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

The principal activity has been disclosed within the Strategic report.

2. **Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. **Accounting policies**

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. The financial reporting framework that has been applied in their preparation is the Companies Act 2006 (the Act) and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

The financial statements are prepared in sterling, which is the functional currency of the group.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe is appropriate for the following reasons.

As detailed in the strategic report, the Group secured financial support during 2021 by restructuring the repayment profile of the existing term loan facility and securing a Coronavirus Business Interruption Loan Scheme (CBILS), which was fully drawn down during 2022.

Since then, the Group has refinanced through the sale of a majority stake in the business to a buyer who has committed to providing additional funding in the form of both additional working capital facilities and future acquisition funding. The Group has also renegotiated its future debt repayment profile and financial covenants with HSBC.

As part of the above, the Board reviewed its trading prospects and cash and balance sheet forecasts for the period up to the end of 2023. This review considered the impact that the significant increases in raw material and energy prices currently being experienced has had, and is likely to continue to have, in the markets and on the customers being served by the Group, as well as the continuing supply issues in the electronics component industry, in particular. The Board has also considered that order books across the Group have risen to record levels since the year end and is satisfied that the Group's businesses will be able to satisfy the increased demand, even whilst facing difficult employment conditions.

As result of the above actions and the subsequent review, the directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Consequently, these financial statements do not include any adjustments that would be required if the going concern basis was not appropriate.

3. Accounting policies *(continued)*

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

(a) Disclosures in respect of each class of share capital have not been presented.

(b) No cash flow statement has been presented for the company.

(c) Disclosures in respect of financial instruments have not been presented.

(d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The consolidated financial statements incorporate the accounts of the company and all its subsidiaries, using the acquisition or merger method of accounting as required. Where the acquisition method is used the results of subsidiary undertakings are included from the date of acquisition.

The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Where control is achieved in stages, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of each transaction in the series.

Where the business combination requires an adjustment to the cost contingent on future events, the estimated amount of that adjustment is included in the cost of the combination at the acquisition date providing it is probable and can be measured reliably. Where it is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination.

3. Accounting policies *(continued)*

Judgements 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
- 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 25, will impact the carrying amount of the pension liability. An actuarial valuation was done as at 31 December 2021.

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.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

3. Accounting policies *(continued)*

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	20 Years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	Between 20 and 50 Years
Long leasehold property	-	Between 20 and 50 Years
Plant and machinery	-	Between 3 and 10 Years
Fixtures, fittings and equipment	-	Between 3 and 10 Years
Motor vehicles	-	25% reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Sale and leaseback

When a sale and leaseback transaction results in an operating lease and it is clear that the transaction is established at fair value, any profit and loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by future lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

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.

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies ***(continued)***

Provisions ***(continued)***

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Defined benefit plans

The company recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Plan surpluses are recognised as a defined benefit asset only to the extent that the surplus is recoverable either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit asset or liability arising from employee service are recognised in profit or loss as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in profit or loss in the period in which they occur.

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in profit or loss.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Analysis of turnover by country of destination:

	2021	2020
	£	£
United Kingdom	36,410,308	34,128,002
Rest of Europe	2,751,737	2,782,205
Rest of the World	2,139,796	4,054,005
	41,301,841	40,964,212

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

5. Other operating income

	2021 £	2020 £
Government grant income	80,077	896,638
Other operating income	117,980	13,027
	198,057	909,665

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

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021 £	2020 £
Amortisation of intangible assets	957,545	967,318
Depreciation of tangible assets	1,786,673	1,813,089
Impairment of intangible assets recognised in:		
Administrative expenses	1,022,631	–
Gains on disposal of tangible assets	(317,416)	(39,533)
Operating lease rentals	800,810	814,331
Exceptional administrative items	564,340	2,082,148
Auditor Remuneration	74,000	87,700

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

Non-audit fees payable to the groups auditor in respect to tax compliance services in the year was £29,400 (2020: £38,000), and accounts production services was £41,000 (2020: £55,900).

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2021 No.	2020 No.
Production staff	383	467
Administrative staff	92	115
	475	582

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021 £	2020 £
Wages and salaries	14,596,018	17,535,043
Social security costs	1,343,450	1,620,609
Other pension costs	1,010,705	958,292
	16,950,173	20,113,944

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	28,183	25,625
Company contributions to defined contribution pension plans	10,000	10,000
	38,183	35,625

9. Income from other fixed asset investments

	2021	2020
	£	£
Income from other fixed asset investments	83,650	–

10. Other interest receivable and similar income

	2021	2020
	£	£
Interest on cash and cash equivalents	–	258

11. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	983,937	1,192,008
Interest on obligations under finance leases and hire purchase contracts	148,146	105,541
Net finance costs in respect of defined benefit pension plans	50,000	72,000
	1,182,083	1,369,549

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

12. Tax on loss

Major components of tax expense/(income)

	2021	2020
	£	£
Current tax:		
UK current tax income	(1,418)	(10,062)
Adjustments in respect of previous periods	–	(87,333)
Total current tax	(1,418)	**(97,395)**
Deferred tax:		
Origination and reversal of timing differences	228,103	(666,502)
Changes to tax rates	(64,688)	324
Adjustment in respect of prior periods	75,301	67,526
Tax on loss	238,716	(598,652)
Tax on Loss for the Year	237,298	(696,047)

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £176,510 (2020: £358,910).

Reconciliation of tax expense/(income)

The tax assessed on the loss on ordinary activities for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021	2020
	£	£
Loss on ordinary activities before taxation	(728,576)	(3,514,504)
Loss on ordinary activities by rate of tax	(138,429)	(667,756)
Adjustment to tax charge in respect of prior periods	75,301	(105,277)
Effect of expenses not deductible for tax purposes	182,827	260,373
Effect of capital allowances and depreciation	(14,361)	17,481
Utilisation of tax losses	-	62,258
Expenses not deductible for tax purposes – pension contributions	–	(28,880)
Adjust opening rate – deferred tax	34,530	(50,844)
Deferred tax not recognised	91,000	(265,151)
Adjustments with respect to previous periods – deferred tax	6,461	67,576
Group relief	(31)	14,173
Tax on loss	237,298	(696,047)

13. Dividends

	2021	2020
	£	£
Dividends paid	475,000	445,000

14. Intangible assets

Group	Goodwill
	£
Cost	
At 1 January 2021	23,936,264
Additions	150,799
Disposals	(290,667)
At 31 December 2021	23,796,396
Amortisation	
At 1 January 2021	7,787,624
Charge for the year	957,545
Impairment losses	1,022,631
At 31 December 2021	9,767,800
Carrying amount	
At 31 December 2021	14,028,596
At 31 December 2020	16,148,640

The company has no intangible assets

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

15. Tangible assets

Group

	Freehold property £	Long leasehold property £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	**Total** £
Cost						
At 1 Jan 2021	6,433,978	483,076	20,373,436	2,306,536	109,706	29,706,732
Additions	14,330	107,631	399,548	143,201	30,330	695,040
Disposals	(6,076,122)	–	(548,514)	–	(13,348)	(6,637,984)
At 31 Dec 2021	372,186	590,707	20,224,470	2,449,737	126,688	23,763,788
Depreciation						
At 1 Jan 2021	672,494	306,477	13,758,309	1,741,995	103,026	16,582,301
Charge for the year	97,061	62,477	1,341,592	280,713	4,830	1,786,673
Disposals	(629,520)	–	(520,875)	–	(13,348)	(1,163,743)
At 31 Dec 2021	140,035	368,954	14,579,026	2,022,708	94,508	17,205,231
Carrying amount						
At 31 Dec 2021	232,151	221,753	5,645,444	427,029	32,180	6,558,557
At 31 Dec 2020	5,761,484	176,599	6,615,127	564,541	6,680	13,124,431

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

	2021 £	2020 £
Motor Vehicles	27,171	–
Plant and Machinery	3,369,412	2,664,797
Furniture and Fittings	34,068	39,653
Freehold land and buildings	25,350	25,902
	3,456,001	2,730,352

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

	2021 £	2020 £
Motor Vehicles	3,159	–
Plant and Machinery	665,963	547,359
Furniture and Fittings	5,580	4,752
Freehold Land and Buildings	552	552
	675,254	552,663

15. Tangible assets (continued)

Three subsidiary companies disposed on property during the year on a sale and lease back arrangement. The net book value of the property disposed was £3,073,450 for consideration of £3,130,000 and the financial impact of the three new 15-year term leases has been included in Note 30.

Company	Long leasehold property £	Fixtures and fittings £	Total £
Cost			
At 1 January 2021	108,800	644,647	753,447
Additions	99,502	120,059	219,561
At 31 December 2021	208,302	764,706	973,008
Depreciation			
At 1 January 2021	4,563	417,044	421,607
Charge for the year	50,074	170,066	220,140
At 31 December 2021	54,637	587,110	641,747
Carrying amount			
At 31 December 2021	153,665	177,596	331,261
At 31 December 2020	104,237	227,603	331,840

16. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 January 2021	39,680,125
Additions	150,799
Disposals	(290,667)
At 31 December 2021	39,540,257
Impairment	
At 1 January 2021	2,267,625
Impairment losses	5,054,192
At 31 December 2021	7,321,817
Carrying amount	
At 31 December 2021	32,218,440
At 31 December 2020	37,412,501

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

16. Investments *(continued)*

The following were subsidiary undertakings of the Company:

Subsidiary undertakings and associated undertakings

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Crossley Advanced Engineering Limited $	UK	Ord. shares	100%	Holding Company
Drurys Engineering Limited $	UK	Ord. shares	100%	Engineering Services
Beldam Burgmann Limited	UK	Ord. shares	100%	Dormant
Henry Crossley (Packings) Limited	UK	Ord. shares	100%	Dormant
Paragon Precision Limited *$	UK	Ord. shares	100%	Engineering Services
Claro Limited *$	UK	Ord. shares	100%	Holding Company
Claro Precision Engineering Limited *$	UK	Ord. shares	100%	Supply of Machines and Parts
Diamondbar Limited *$	UK	Ord. shares	100%	Holding Company
Premier Deep Hole Drilling Limited *$	UK	Ord. shares	100%	Manufacture of complex machines and deep bore components
Pexion.com Limited	UK	Ord. shares	100%	Dormant
Rictor Engineering Limited *$	UK	Ord. shares	100%	Sheet metal fabrication
Beldam Limited	UK	Ord. shares	100%	Dormant
S.K.N Electronics Limited $	UK	Ord. shares	100%	Assembly of circuit boards for the electronics industry
Birkdale Engineering Company Limited $	UK	Ord. shares	100%	Construction of commercial buildings
Precision Engineering Pieces Limited $	UK	Ord. shares	100%	Manufacturing of metal products
Oxton Engineering Company Limited *$	UK	Ord. shares	100%	Manufacture of other machine tools
Oxton Engineering (2006) Limited $	UK	Ord. shares	100%	Holding Company
Phasa Limited *$	UK	Ord. shares	100%	Manufacture of other special purpose machinery
Tevtec Limited $	UK	Ord. shares	100%	Holding Company
HT Tooling Solutions *$	UK	Ord. shares	100%	Manufacture of precision injection mould tooling
Hanson Thorpe Holdings Limited $	UK	Ord. shares	100%	Holding Company
Elite Tooling Solutions Limited $	UK	Ord. shares	100%	Manufacture of precision injection mould tooling
Alan Gordon Engineering Co Limited *$	UK	Ord. shares	100%	Manufacture fabricated metal products
Alan Gordon Holdings Limited $	UK	Ord. shares	100%	Holding Company
CLE 2016 Limited $	UK	Ord. shares	100%	Holding Company

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

16. Investments *(continued)*

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Clitheroe Light Engineering Co Limited *$	UK	Ord. shares	100%	Manufacture of other special purpose machinery
Simtek EMS Limited $	UK	Ord. shares	100%	Manufacture of electrical components
Nitronica Limited $$	N Ireland	Ord. shares	100%	Manufacture of loaded electronic boards
Amgas Offshore Solutions Limited *	N Ireland	Ord. shares	100%	Holding Company

* 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 is audited

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

The carrying value of the investments and the aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(Loss) £	Total of External debt guarantee provided on £
Crossley Advanced Engineering Limited	(1,337,875)	(2,256,024)	844,682
Drurys Engineering Limited	2,251,425	511,561	1,605,352
Beldam Burgmann Limited	(100,496)	-	-
Henry Crossley (Packings) Limited	1	-	-

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

16. Investments *(continued)*

	Aggregate of share capital and reserves £	Profit/(Loss) £	Total of External debt guarantee provided on £
Paragon Precision Limited	924,410	166,094	253,137
Claro Limited	94,697	-	-
Claro Precision Engineering Limited	918,530	399,916	1,064,127
Diamondbar Limited	476,889	(308,599)	429,398
Premier Deep Hole Drilling Limited	(587,257)	(116,415)	1,726,767
Pexion.com Limited	204,000	-	-
Rictor Engineering Limited	166,373	11,738	481,813
Beldam Limited	1	-	-
S.K.N Electronics Limited	1,255,933	(107,154)	1,080,786
Birkdale Engineering Company Limited	(349,507)	(175,024)	313,892
Precision Engineering Pieces Limited	1,624,873	86,373	312,016
Oxton Engineering Company Limited	2,902,657	(130,241)	991,436
Oxton Engineering (2006) Limited	658,338	(174,313)	-
Phasa Limited	464,998	(242,319)	-
Tevtec Limited	2,017,138	(60)	-
HT Tooling Solutions Limited	391,972	(215,639)	830,877
Hanson Thorpe Holdings Limited	659,433	-	-
Elite Tooling Solutions Limited	169,777	(9,041)	-
Alan Gordon Engineering Co Limited	544,076	(21,349)	238,593
Alan Gordon Holdings Limited	1,090,450	(60)	51
CLE 2016 Limited	217,616	-	-
Clitheroe Light Engineering Co Limited	2,617,546	19,970	501,208
Simtek EMS Limited	2,471,534	(68,729)	463,599
Nitronica Limited	4,064,619	70,011	2,229,506
Amgas Offshore Solutions Limited	1	-	-

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

17. Stocks

	Group		Company	
	2021	2020	**2021**	2020
	£	£	£	£
Raw materials and consumables	3,463,064	3,475,335	–	–
Work in progress	2,401,607	1,808,779	–	–
Finished goods and goods for resale	1,175,106	972,493	–	–
	7,039,777	6,256,607	–	–

18. Debtors

	Group		Company	
	2021	2020	**2021**	2020
	£	£	£	£
Trade debtors	8,072,378	7,665,074	115,573	34,271
Amounts owed by group undertakings	–	–	7,593,429	7,684,219
Deferred tax asset	–	287,876	400,777	676,575
Prepayments and accrued income	783,220	760,066	317,984	345,376
Other debtors	364,591	445,338	4,107	19,106
	9,220,189	9,158,354	8,431,870	8,759,547

Included within other debtors of £364,591 (2020: £445,338), £nil (2020: £253,984) was due greater than 1 year.

19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2021	2020
	£	£
Cash at bank and in hand	417,283	17,481
Bank overdrafts	–	(733,269)
	417,283	(715,788)

20. Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	**2021**	2020
	£	£	£	£
Bank loans and overdrafts	8,216,914	3,742,618	2,450,000	5,329,455
Payments received on account	–	374,898	–	–
Trade creditors	6,137,582	4,877,525	72,068	88,881
Amounts owed to group undertakings	–	–	18,760,163	14,477,401
Accruals and deferred income	1,503,327	2,570,673	313,917	672,145
Corporation tax	215,721	344,674	–	–
Social security and other taxes	2,042,805	2,160,783	197,104	287,477
Obligations under finance leases and hire purchase contracts	827,166	959,979	–	–
Deferred consideration	470,000	1,014,000	410,000	750,000
Other creditors	290,215	5,127,396	106,329	136,944
	19,703,730	21,172,546	22,309,581	21,742,303

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

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

Bank loans and overdrafts and finance lease liabilities are secured as outlined in note 21.

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

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Bank loans and overdrafts	12,563,628	14,927,485	12,370,435	12,557,874
Social security and other taxes	579,079	1,432,605	48,349	–
Obligations under finance leases and hire purchase contracts	1,409,008	1,868,504	–	–
Deferred Consideration	383,000	1,002,000	383,000	1,002,000
Other creditors	25,873	29,945	–	–
	14,960,588	19,260,539	12,801,784	13,559,874

Bank loans and overdrafts comprise of term loan facilities, mortgage facilities and invoice discounting facilities. The balances at the year-end are as follows.

- Term loan facilities £14,820,434 (2020: £10,408,158).
- Mortgage facilities £203,130 (2020: £2,587,461).
- Invoice Discounting facilities £5,722,977 (2020 £4,787,216)

Security held:

The bank loans and overdrafts are secured through:

First mortgage over certain life policies with Aviva and Legal and General.

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

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.

The hire purchase obligations are secured on the assets to which they relate. Included within creditors: amounts falling due after more than one year is an amount of £1,720,561 (2020: £7,481,860) in respect of liabilities payable or repayable by which instalments which fall due for payment after more than five years from the reporting date.

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

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

22. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Not later than 1 year	827,166	959,979	–	–
Later than 1 year and not later than 5 years	1,409,008	1,868,504	–	–
	2,236,174	2,828,483	–	–

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.

23. Provisions

Group	**Deferred tax (note 24)**
	£
At 1 January 2021	-
Charge against provision	414,914
Transfers	(287,876)
At 31 December 2021	127,038

The company does not have any provisions.

24. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Included in debtors (note 18)	–	287,876	400,777	676,575
Included in provisions (note 23)	(127,038)	–	–	–
	(127,038)	287,876	400,777	676,575

25. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £1,010,705 (2020: £958,252).

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

25. Employee benefits *(continued)*
Defined benefit plans

The statement of financial position net defined benefit liability is determined as follows:

	2021	2020
	£	£
Present value of defined benefit obligations	(17,668,000)	(18,785,000)
Fair value of plan assets	16,709,000	16,897,000
	(959,000)	(1,888,000)

Changes in the present value of the defined benefit obligations are as follows:

	2021
	£
At 1 January 2021	18,785,000
Interest expense	283,000
Benefits paid	(843,000)
Remeasurements:	
Actuarial gains and losses	(557,000)
At 31 December 2021	17,668,000

Changes in the fair value of plan assets are as follows:

	2021
	£
At 1 January 2021	16,897,000
Interest income	233,000
Benefits paid	(843,000)
Contributions by employer	402,000
Administration costs incurred	(170,000)
Remeasurements:	
Actuarial gains and losses	190,000
At 31 December 2021	16,709,000

The total costs for the year in relation to defined benefit plans are as follows:

	2021	2020
	£	£
Recognised in profit or loss:		
Current service cost	170,000	189,000
Net interest expense	50,000	72,000
	220,000	261,000
Recognised in other comprehensive income:		
Remeasurement of the liability:		
Actuarial gains and losses	747,000	1,685,939

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

25. Employee benefits *(continued)*

The fair value of the major categories of plan assets are as follows:

	2021	2020
	£	£
Equity instruments	8,288,000	11,533,000
Bonds	7,260,000	3,964,000
Other	1,161,000	1,400,000
	16,709,000	16,897,000

The principal actuarial assumptions as at the statement of financial position date were:

	2021	2020
	%	%
Discount rate	2.00	1.40
Expected rate of increase in pensions	2.85	2.20
Mortality rates:		
Current pensioners at 65 – male	19.70	21.70
Current pensioners at 65 – female	23.00	23.60
Future pensioners at 65 – male	21.40	23.40
Future pensioners at 65 - female	24.90	25.50
Price inflation (RPI)	3.35	3.00
Price inflation (CPI)	2.90	2.20

26. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Recognised in other operating income:				
Government grants recognised directly in income	80,077	896,638	–	–

27. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	2,537,760	2,537,760	2,537,760	2,537,760
A Ordinary Shares of £1 each	16,440	16,440	16,440	16,440
	2,554,200	2,554,200	2,554,200	2,554,200

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

28. Reserves

Share Premium Account - Represents the value above nominal value of shares issued.

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

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

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

29. Analysis of changes in net debt

	At 1 Jan 2021	Cash flows	New finance leases	At 31 Dec 2021
	£	£	£	£
Cash at bank and in hand	17,481	399,802	–	417,283
Bank overdrafts	(733,269)	733,269	–	–
Debt due within one year	(3,969,328)	(4,925,942)	(148,810)	(9,044,080)
Debt due after one year	(16,795,989)	3,076,733	(253,380)	(13,972,636)
	(21,481,105)	(716,138)	(402,190)	(22,599,433)

30. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2021	2020	**2021**	2020
	£	£	£	£
Not later than 1 year	905,542	670,508	38,366	14,976
Later than 1 year and not later than 5 years	2,278,975	1,970,646	19,944	–
Later than 5 years	2,699,177	668,966	–	–
	5,883,694	3,310,120	58,310	14,976

31. Contingencies

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 2021 amounted to £22,610,536 (2020: £26,285,803).

32. Events after the end of the reporting period

On 21st December 2022, RDCP Group Limited acquired 75% of the ordinary share capital of Pexion Limited. RDCP Group Limited will also make available an acquisition facility of £12 Million and a working capital facility of £3 Million.

Pexion Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

33. Related party transactions

Group and Company

The group has taken the exemption under FRS102 not to disclose the transactions with group companies.

34. Controlling party

The ultimate controlling parties of the group are the shareholders.