

REGISTERED NUMBER: 04932645 (England and Wales)

**NASMYTH GROUP LIMITED**  
**GROUP STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**AUDITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2019**



**NASMYTH GROUP LIMITED**

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FOR THE YEAR ENDED 31 JANUARY 2019**

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**NASMYTH GROUP LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

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**DIRECTORS:** P Smith  
S Beech  
P Jones  
R Soen

**SECRETARY:** P Jones

**REGISTERED OFFICE:** Nasmyth House  
Coventry Road  
Exhall  
Coventry  
CV7 9FT

**REGISTERED NUMBER:** 04932645 (England and Wales)

**AUDITORS:** KPMG LLP, Statutory Auditor  
Chartered Accountants  
Altius House  
1 North Fourth Street  
Milton Keynes  
MK9 1NE

**NASMYTH GROUP LIMITED**  
**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

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The Directors present the Strategic Report together with the Directors Report and the audited financial statements of Nasmyth Group Limited ("Nasmyth" or "the company") for the year ended 31st January 2019.

**Business Review**

The company is the ultimate holding company of a privately-owned group ("the group"), which was founded in 2003 by Chairman and Chief Executive Officer Peter J Smith. The group is a world class provider of precision engineering solutions, systems, machined and fabricated products and metal treatments to demanding customers in markets across the globe. The group operates throughout the aerospace, defence and associated markets. It continues to consolidate its position as a Tier 1 supplier of critical components to many of the Prime and Tier 1 Aerospace and Defence customers and serves the Sub-system and Engineered Components, Space, Oil & Gas, Marine and Medical markets as part of its core business.

The group has a clear strategy aiming to create long term value through global growth. The Strategy is delivered through sustainable organic growth, investment in technology and international acquisition to provide the sustainable returns for the ultimate shareholders of the business. Technology investment and product differentiation is key to the group and therefore it is continuing to develop IPR opportunities, enhance surface processing in the UK and North America, and, it is implementing an engineering design centre of excellence in the UK in parallel to the design centre in India. The expansion of the group will continue as a result of new projects from major airframe providers which will require building and capital investment in North America and in the UK. Development of the North American and Asian markets is seen as the principal focus for new technology and for growth targets and the new business pipeline is showing strong positive conversion of enquiries into sales in those areas. The group continues to regard operational excellence, investment in people, and continuous improvement as core to achieving long-term value.

The group has fourteen operating facilities which are located in the United Kingdom, USA and India and has a Corporate Head Office based in Coventry UK. There are also sales and support offices located in Toulouse, France and in Seattle, USA. To support the strategy of the group, the primary locations operate as four divisions identified by core competence, capability and customer base. These are Metallics, Technologies, Systems & Defence and Specialist. An infrastructure operates in Asia whereby the group has partner companies satisfying its supply chain interests in both India and the Philippines.

The group reported year over year sales growth of 14.1% across all Divisions. This was a very pleasing result demonstrating the strength of new markets, differentiated technology and business development success, coupled with a turnaround in parts of the business and the commencement of a return to normal trading levels by the metal treatments businesses, in particular Nasmyth TMF Inc., in North America.

The Systems & Defence division, a continuing development and strong focus of the group, has achieved further growth following on from its original inception in 2017. Year over Year growth is reported pleasingly to be in excess of 50%. The results are driven by increased business from a strengthened capability in design and project management resource in its core business which continues to be centred around the supply of critical parts, assemblies and systems on a range of platforms. In particular systems for the space satellite sector, subsea, naval applications and defence services. Specific examples being the completion of a satellite system transport project for large satellites and the mine sweeping sub system contract which both continue to deliver positive benefits. Equally important is the investment made by the group into new areas including 3D printing and factory flow. The business is set for further achievements in the coming year including enhancement in the technology and design of underwater systems bringing associated IPR.

The Technologies division leads with modern capabilities in precision fabrication, welding and machine operation, specialising in complex and challenging products for which it has a strong customer base and it has returned to a strong growth position with significant turnaround. As a result, sales increased by 13% year over year. This division has continued to win new major contracts, including from a North America based aircraft manufacturer for specialist airframe sheet metal parts on long-term contracts. In addition, the innovative reverse engineering capability in this business has achieved growth in the supply and support of equipment from legacy airframe and galley manufacturers in North America. There is strong positive growth in the production and after-market business for major civil turbo-prop engine manufacturers. The group has supported this development through significant investment in capital equipment.

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**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

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The Metallics division has continued to grow steadily delivering growth in sales year over year at 5%. The core competency is the supply of complex machined components and assemblies to prime engine and airframe manufacturers. With a target of sustaining its position on current and future growth programmes both in single and twin aisle civil applications, as well as in the associated gas turbines that power them. The division is well placed in its global markets, new contracts include a high-volume narrow body airframe specifying its SMS fuel connector products, further contracts to a major UK supply chain integrator, US contract expansion for electrical sensing and connectivity systems and growth in quantities in engine electronic control chassis for a major engine manufacturer in the UK. The business is developing further its product offering in the US market with the win of contracts from a new Energy customer and is expanding into Asia with its engine related product offering. The Nasmyth Doughty Limited business saw an increase of 15% of its facility footprint during the year. This was required to support electric connectivity systems growth.

Nasmyth's Specialist division has a core offering of wet or dry surface treatments for metals and other materials. Based in the UK and US and with a core offering of the accurate masking of components that are plated, anodised or painted, this division has delivered over 14.1% growth year over year. The business completed the successful acquisition and integration of the 50% balance of its joint venture GEB Surface Treatments Limited in Pinxton, Nottinghamshire and in the US, the business has now fully completed its investment in the new chemical treatments facility which will complement the established non-destructive testing, painting and masking services already provided. The customer base in the US continues to grow and 2019/20 is expected to be a key year for the development of that business. At the end of the financial year, the Nasmyth West Middlesex facility in Uxbridge experienced a small fire in the main building which caused damage to the building and capital equipment and which immediately halted the operational ability of the business. It is pleasing to report that the disruption to the group and its customers has been kept to a minimum and operations recommenced in May 2019 in the majority of treatment processes. New investment at Nasmyth West Middlesex is being made alongside the refurbishment following the fire.

These four divisions are supported by an integrated group wide supply chain. "Best in class" subcontractors provide cost and product excellence and hence performance leverage in the highly competitive markets that the group serves. The group has continued the development of its Indian, UK and Philippines supply chain through its activities in those countries and is providing from India additional cost-effective engineering consultancy, design and engineering to the group.

The group has many, and is entering into more, long-term agreements with its customers and suppliers. As the unique combination of skills becomes widely recognised and the ability to provide total solutions matches those customer needs, the opportunities and the scale of contracts continues to grow. The group pursues its strategic objective to grow and deliver value through world class products and services and as such the core business and financial performance of the group remains strong and stable.

### **Market Trends**

The markets in which the group operates are, and will continue to be, amongst the best in the world. The global aerospace market remained healthy throughout 2018 with growth in both the commercial and military sectors. This trend is supported by key market factors:

- Continued growth in the global air passenger traffic of 6.1%;
- Record deliveries of commercial aircraft (1,780 in 2018) and a high backlog held by the Original Equipment Manufacturers with significant new orders for commercial aircraft; and
- Continued growth in the military market driven by increased defence spending and platform ramp up.

The oil and gas sector saw a reduction in 2015 with the decline in the price of oil, and hence associated reduced investment. This sector is slowly continuing to recover and those serving the market have seen quantities improve.

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The group's niche technologies in the defence sector are benefitting from the volume ramp up on new programmes and we continue to attract new business in addition to our strong positioning on a number of original equipment platforms.

The group is well established in the US and European aerospace and defence markets and is set for the expected growth of the Asian market in the years ahead, giving overall confidence in meeting its expectations in 2019/20.

**Key Performance Indicators**

In order to support the delivery of value, performance indicators are maintained consistently throughout all of the operating facilities in the group and are used at a Board and management level as a tool to monitor and drive the delivery of the results.

		2019	2018
Turnover	£'000	<b>78,853</b>	69,082
Operating Profit Margin	%	<b>4.1</b>	3.7
EBITDA	£'000	<b>7,093</b>	6,728

EBITDA is calculated as profit before non-recurring expenses, interest and tax plus depreciation and amortisation charge and profit on sale of associate and joint venture. A reconciliation has been given below:

	2019	2018
	£'000	£'000
Profit for the financial year	<b>1,540</b>	2,068
Tax on profit	<b>1,120</b>	1,151
Interest payable and similar income	<b>609</b>	439
Non-recurring expenses	<b>4,255</b>	321
Non-recurring income	<b>(3,406)</b>	-
Depreciation	<b>2,247</b>	2,117
Amortisation	<b>728</b>	632
<b>EBITDA</b>	<b>7,093</b>	6,728

**Key Business Highlights**

The group has performed well over the year benefitting from the investments in capital equipment, people and apprentices made in prior years to stabilise new product introduction and support rapid and effective volume ramp up on programmes. The company made significant improvements across the business in many key areas including management, engineering and production.

The consolidated results for the company reported sales of £79.0m (2018: £69.1m), operating profit (excluding the group's share from joint ventures & associates) of £3.2m (2018: £2.5m) and EBITDA of £6.9m (2018: £6.7m). The strong positive sales growth has been delivered across the whole of the business as is explained in the Business review. The operating profit was in line with expectation. Operationally, significant improvements were delivered from the turnaround in the core business as a result of key cost manufacturing and engineering initiatives and programme improvement plans being executed. There were several one-off impacts in the operating profit which were primarily foreign exchange losses of £0.1m (2018: £0.2m) due to the movement in the USD and INR exchange rates, fire insurance claims recognised at a Group level of £0.1m (2018: £0.6m) and R&D credits of £0.6m (2018: £0.3m). The EBITDA excludes the non-recurring cost of the litigation settlement of £4.3m, including associated legal fees.

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Reported below operating profit are interest and similar income and charges which net to a charge of £0.6m (2018: £0.4m), profits from share in associates and joint ventures (to the point of disposal) of £0.9m (2018: £1.4m), profit and loss on disposal of joint ventures and associates of £3.4m and other non-recurring costs of £4.2m (2018: £0.3m). The other non-recurring costs include legal and consultancy expenses in relation to the fire and litigation in the USA and are considered to be non-recurring expense as this matter has now been resolved.

In May 2018, the group reported that its subsidiary Nasmyth Bulwell Limited sold their 33.3% share of ownership of Metal Process Services Limited to its fellow shareholders. A long-term agreement was signed to support the on-going trading between the former associate partners companies. The group in November 2018 disposed of its 50% shareholding in its joint venture Towerfield Plating Limited to its fellow shareholders and simultaneously acquired the remaining 50% shareholding of GEB Surface Treatments Limited from its fellow shareholders. The profit on disposal recognised in the income statement is £3.4m.

Following the year end, the group settled an ongoing lawsuit in California on behalf of its subsidiary Nasmyth TMF, Inc. A charge was made in the income statement for £3.1m and a payment was made by the group for £2.5m in May 2019, with balance of £0.6m payable in monthly instalments to 30 April 2021. This is considered to be an exceptional cost in the year and is a non-recurring item.

The group is pleased to report a profit before tax of £2.7m (2018: £3.2m) and profit after tax of £1.5m (2018: £2.1m).

The group continues to actively manage its cash and semi-liquid assets in order that any material growth in operational working capital reflects increased activity rather than inefficiency in the working capital management. At the end of the year, the group's investment in operational working capital stood at £21.7m (2018: £18.2m) which was an increase from prior year. The individual components were Inventory of £12.0m (2018: £11.4m), trade debtors of £20.2m (2018: £16.6m) and trade creditors of £10.4m (2018: £9.8m).

The company is committed to capital investment and in the year invested £5.7m (2018: £4.1m) in capital across the business as the organic growth of the business has necessitated, and benefitted from, investment in new plant, facilities and supporting services. The Coventry facility benefitted from investment of £0.5m in a milling machine to support the development of new business. The Systems and Defence business has made a £0.2m investment in milling machines driving factory operation improvement and Nasmyth TMF, Inc. completed the investment in its chemical treatment facility with a £2.5m investment.

In support of its continuing operations, in June 2018 the group entered into a new and significantly enhanced revolving financing facility with Wells Fargo Capital Finance (UK) Limited. This replaced the previous Lloyds Banking Group PLC facility. The debt in respect of this facility is now in the majority not repayable on demand except at the end of the facility and is therefore disclosed as such in the notes to the financial statements. The partnership that has been created between the group and Wells Fargo Capital Finance (UK) Limited is an exciting opportunity and the benefits are already being seen throughout the business.

### **Organisational Developments**

Investment in people remains a key priority for the company. The investment made by the group in the dedicated Apprentice and Training Academy in the prior year at the facility in Pinxton, Nottinghamshire continues to add significant value. This Academy is being used across the whole group to allow the training of future engineers and the current group total of apprentices in training is 47 with a significant amount of those in the scheme last year now being employed in roles within the business. In addition, the group has recently expanded the Academy to include a Measurement Academy. Development and further upskilling of existing employees continues with ten sigma green belts now fully trained and the introduction of a dedicated finance academy course for operational managers, being but two examples.

The Zero Defects Programme continues its development and deployment throughout the group and this is enabling business wide quality transformation across a number of areas.

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**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

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The management forum introduced last year has gained momentum and has focused on specific senior management projects to deliver consistency across all divisions in the group. This forum has created significant management and employee engagement in the future strategic and tactical direction of the business.

As the group expands and develops its needs and capabilities, the Board is required to modify itself to support the change. Following the year end, the Board re-organised and appointed a Non-Executive Director to the Board, Mr Robert Soen, who brings experience in all aspects of Supply Chain in both Aerospace and non-Aerospace sectors.

As part of the "one Nasmyth" approach, in January 2019, the group rebranded and renamed all of the businesses and statutory entities within the group to ensure a consistent image and improved recognition.

#### **Going Concern**

The directors of Nasmyth believe that the company is a going concern based on the positive net assets and the cash balance of the group and company at the end of the year. The cash flow of the company in the budget for the next year is adequate to support the needs of the group.

#### **Future developments**

The directors of the company are committed to the development, growth and value creation of the group both through internal and external opportunities.

The policy of Nasmyth is to operate a strategically based acquisition and disposal approach which focuses on the structure of the group, its technologies, consolidated strengths and geographical coverage to deliver value and identify targets against a predetermined set of selection criteria. Following the end of the year, Nasmyth has continued to identify and assess potential acquisitions available or that become available in the market with a particular focus on the North America, UK and India geographies.

Whilst the effect of Brexit on the UK/European economy is unclear at present, due to the spread of its customer base, diversity of products and technologies, and the supply chain of the group, the group does not see immediate or significant risks or changes to its operation, however the group will continue to consider this in all investment decisions.

The Nasmyth Board fully understand the importance of the community and the environment in which the companies operate and are therefore supporting the sponsorship of local and other worthy projects especially whereby employees can contribute their time and resource to helping and developing as necessary.

#### **Principal Risks and Uncertainties**

The Nasmyth Board assesses and manages any risk to the group as part of the monthly Group Board Meetings. This activity is supported by the management forum and by a team of experienced Directors, Managers and specialists which ensures that if and where a risk arises, it is dealt with quickly and appropriately. Risks at group level are commonly strategic rather than operational and the primary purpose of the Board review is to lead and to ensure that solutions and actions are embedded in the culture within the business.

The risks at an operating site level are discussed as part of the annual budget process and are subject to frequent management and board level review. They are followed up as appropriate throughout the year.

**NASMYTH GROUP LIMITED**  
**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

An updated view of the key current strategic risks profile for the company are below. The risk rating is categorised as either low, medium or high.

No.	Risk Title	Risk Rating	Impact drivers of risk
1.	Economic & Political	Medium	Brexit   China   US Trade tariffs
2.	Foreign exchange	Medium	Exposure to volatile exchange rates
3.	Technology	Medium	Technology differentiator   Investment funding capacity.
4.	Information security & Cyber Threats	Medium	Civil Aero Technology   controlled military information
5.	Catastrophic incident	Low	Terrorism, natural disaster or environmental incident
6.	Commercial	Low	Market & order book risk   commercial contracting   Technology

**Risk 1 - Economic & Political**

The group has facilities in UK, North America and India but can be affected by the global economic conditions in numerous countries and also from the political decisions made in those countries through which it operates or trades. Brexit's effect on the UK/European economy remains unclear. Nasmyth believes that it is relatively protected as the majority of suppliers and customers are UK or North America based and it is only exposed in so far as the supply chain or ultimate customer is exposed. The diversity of products and technology also help protect the group from this exposure. Opportunities are being created as a result of this risk and are enabling investment in the North America and Asian markets, which, in turn, is supporting the strategic direction of the group. The group is monitoring the increasing tariff changes from the US and China but considers that the group would be able to deal with any short-term impacts.

**Risk 2 - Foreign exchange**

Due to the global nature of the operations and markets in which the group operates, the volatility in the foreign exchange markets and exchange rates could continue to have both a favourable and adverse impact on the business. The group primarily is exposed to transactional risk and translation risk (on the net assets) however this is monitored and where possible natural hedges are utilised across the group.

**Risk 3 - Technology**

Technology remains a key focus for the group and it has embarked on the development of a technology road map. A risk for the group is that it is unable to maintain its differentiation in technology due to incorrect focus, customer changes or if it does not make available to the divisions in the group the right level of funding for investment in technology to support future growth and development. The group reviews its funding profile on a regular basis to ensure that there is appropriate headroom to support the necessary investment and through its strategic relationship with key customers is able to focus on appropriate technology paths.

**Risk 4 - Information security and cyber threats**

Information security and cyber threats are an increasing priority across all industries and remain key on the UK government agenda. The divisions in the group increasingly hold more personal data, customer data and supplier data together with drawings and technology related information that must be maintained as secure. The group has implemented GDPR procedures and requires each operating site to make its own individual network of information as secure as possible and has procedures in place to detect fraud around the group.

**Risk 5 – Catastrophic incident**

The group considers that a major terrorism incident could impact the demand for aircraft should the passenger demand levels decline as a result of that incident. The group also considers that any technical or health and safety incident which occurs on an aircraft may have a similar level of impact and risk however the group ensures that it has the appropriate quality and control procedures operating across the divisions to mitigate this. This risk could impact the group operationally and through its reputation, however it is considered low risk overall.

**NASMYTH GROUP LIMITED**  
**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

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**Risk 6 - Commercial**

The group operates in competitive markets across the world and is successfully market diversified in Aerospace, Defence, Oil and Gas, Automotive and Medical. Each sector has its own risks in commercial contracting and commercial demand, the group is naturally mitigated in part through its market diversification and technology. Specific risk exists in the concentration of customers (generally low), quality performance guarantees required and the future customer demand and order book which in turns leads to a change in, or renewals of, contracts. The group mitigates these risks by having standard terms and conditions at a contract level which is managed centrally, maintaining and building long term relationships with customers to ensure that it is working as a partner and has the latest information and to ensure continual high standards of quality has a strong programme of zero defects programme operating throughout the group. The group is continuing to invest in the latest technology for future expansion and new business awards with senior management at a divisional level actively involved in regulation and site-based risk assessments.

Each of the risks above are managed through a framework of continual review which (i) identifies the risk; (ii) evaluates the exposures; (iii) applies appropriate mitigation; (iv) analyses the post mitigation impacts; and (v) reviews continuously at a Board level.

**Employee Involvement**

The company policy is to consult and discuss with employees on matters likely to affect their interests.

Information regarding matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the finance and economic factors affecting the group's performance.

**Governance and Executive Management and Control**

The group is held accountable by a Group Board which comprises a Chairman and Chief Executive Officer and two other Executive Directors, plus one non-Executive Director after their appointment in June 2019. There is a balanced breadth of experience on the Board. The strategy and planning are the responsibility of the Group Board and is executed by the Board through the senior management team. The day to day senior management team is led in the UK by the Chief Operating Officer (UK) and elsewhere in the world, operations and senior management are managed by the Group Chief Executive Officer. The Group Chief Financial Officer has responsibility across the group.

**ON BEHALF OF THE BOARD:**



.....  
P Smith - Director

Date: 25/7/19 .....

**NASMYTH GROUP LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

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The directors present their report with the financial statements of the company and the group for the year ended 31 January 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the group in the year under review was that of design and manufacture of precision machined components, complemented by specialist precision fabrication, assembly, treatment, and surface coating operations.

The principal activity of the company is that of a holding company providing management services to its subsidiaries.

**DIVIDENDS**

The total distribution of dividends for the year ended 31 January 2019 was £630,000 (2018: £420,000).

**RESEARCH AND DEVELOPMENT**

Research and development expenditure is expensed as it is incurred. The group incurred expenditure of £5,462,000 (2018: £2,900,000) during the year.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 February 2018 to the date of this report.

P Smith  
S Beech

Other changes in directors holding office are as follows:

P Jones - appointed 7 February 2018  
R Soen – appointed 1 June 2019  
M Edmonds - resigned 7 February 2018

**POLITICAL DONATIONS AND EXPENDITURE**

The group made no political donations in either the current or the prior year.

**DISABLED PERSONS**

The group's policy is to provide equal opportunities in the recruitment of disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

**DISCLOSURE IN THE STRATEGIC REPORT**

The directors have chosen to set out in the strategic report information required to be stated in the directors' report including a review of business and principal risks and uncertainties.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.


**NASMYTH GROUP LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 JANUARY 2019**

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**AUDITORS**

The auditors, KPMG LLP, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....  
P Smith - Director

Date: 25/7/19

**NASMYTH GROUP LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 JANUARY 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NASMYTH GROUP LIMITED

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### Opinion

We have audited the financial statements of Nasmyth Group Limited (the 'company') for the year ended 31 January 2019, which comprise the Consolidated statement of profit and loss and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated cash flow statement and related notes, including the accounting policies in note 2.

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 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of assets, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. These depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NASMYTH GROUP LIMITED

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### Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
NASMYTH GROUP LIMITED**

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**The purpose of our audit work and to whom we owe our responsibilities**

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.

*Aimie Keki*

Aimie Keki (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Altius House  
1 North Fourth Street  
Milton Keynes  
MK9 1NE

Date: 25<sup>th</sup> July 2019

**NASMYTH GROUP LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JANUARY 2019**

	Notes	2019 £'000	2018 £'000
<b>TURNOVER</b>			
Group and share of joint ventures and associate		81,668	73,602
Less:			
Share of joint ventures' turnover		(2,035)	(2,246)
Share of associate's turnover		<u>(780)</u>	<u>(2,274)</u>
<b>GROUP TURNOVER</b>	4	<b>78,853</b>	<b>69,082</b>
Cost of sales		<u>64,456</u>	<u>56,928</u>
<b>GROSS PROFIT</b>		<b>14,397</b>	<b>12,154</b>
Administrative expenses		<u>11,872</u>	<u>10,766</u>
		<b>2,525</b>	<b>1,388</b>
Other operating income	5	<u>722</u>	<u>1,146</u>
<b>GROUP OPERATING PROFIT</b>	7	<b>3,247</b>	<b>2,534</b>
Share of operating profit in:			
Joint ventures		683	1,013
Associate		<u>188</u>	<u>432</u>
		<b>4,118</b>	<b>3,979</b>
Profit on sale of joint venture	8	945	-
Profit on sale of associate	8	<u>2,461</u>	<u>-</u>
<b>Group operating profit after non-recurring income</b>		<b>7,524</b>	<b>3,979</b>
Non-recurring expenses	8	<u>4,255</u>	<u>321</u>
<b>Group operating profit after non-recurring items</b>		<b>3,269</b>	<b>3,658</b>
Interest payable and similar expenses	9	<u>609</u>	<u>439</u>
<b>PROFIT BEFORE TAXATION</b>		<b>2,660</b>	<b>3,219</b>
Tax on profit	10	<u>1,120</u>	<u>1,151</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,540</b>	<b>2,068</b>

The notes form part of these financial statements

NASMYTH GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JANUARY 2019

	2019 £'000	2018 £'000
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>1,540</b>	<b>2,068</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain/(loss) on translation reserve	(405)	(245)
Income tax relating to other comprehensive income	-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<b>(405)</b>	<b>(245)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>1,135</u></b>	<b><u>1,823</u></b>
Profit attributable to: Owners of the parent	<b><u>1,540</u></b>	<b><u>2,068</u></b>
Total comprehensive income attributable to: Owners of the parent	<b><u>1,135</u></b>	<b><u>1,823</u></b>

The notes form part of these financial statements

CONSOLIDATED BALANCE SHEET  
31 JANUARY 2019

	Notes	2019		2018	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	13		4,157		2,832
Tangible assets	14		20,389		16,410
Investments	15				
Interest in joint venture			-		1,804
Interest in associate undertaking			-		454
			<u>24,546</u>		<u>21,500</u>
<b>CURRENT ASSETS</b>					
Stocks	16	11,961		11,444	
Debtors	17	23,844		17,552	
Cash at bank		<u>6,309</u>		<u>4,074</u>	
			<u>42,114</u>		<u>33,070</u>
<b>CREDITORS</b>					
Amounts falling due within one year	18	<u>22,611</u>		<u>26,950</u>	
<b>NET CURRENT ASSETS</b>			<u>19,503</u>		<u>6,120</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>44,049</u>		<u>27,620</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	19		(23,298)		(7,667)
<b>PROVISIONS FOR LIABILITIES</b>	22		<u>(489)</u>		<u>(196)</u>
<b>NET ASSETS</b>			<u>20,262</u>		<u>19,757</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	23		156		156
Share premium	24		72		72
Translation reserve	24		(541)		(136)
Retained earnings	24		<u>20,575</u>		<u>19,665</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>20,262</u>		<u>19,757</u>

The financial statements were approved by the Board of Directors on 25/7/19 and were signed on its behalf by:

*P J Smith*

.....  
P Smith - Director

The notes form part of these financial statements

COMPANY BALANCE SHEET  
31 JANUARY 2019

	Notes	2019 £'000	2018 £'000	2018 £'000
<b>FIXED ASSETS</b>				
Intangible assets	13	-	-	-
Tangible assets	14	21	19	19
Investments	15	<u>7,179</u>	<u>5,049</u>	<u>5,049</u>
		7,200		5,068
<b>CURRENT ASSETS</b>				
Debtors	17	35,105	29,674	29,674
Cash at bank		<u>3,490</u>	<u>305</u>	<u>305</u>
		38,595	29,979	29,979
<b>CREDITORS</b>				
Amounts falling due within one year	18	<u>16,838</u>	<u>16,373</u>	<u>16,373</u>
<b>NET CURRENT ASSETS</b>			<u>21,757</u>	<u>13,606</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			28,957	18,674
<b>CREDITORS</b>				
Amounts falling due after more than one year	19	<u>1,319</u>	-	-
<b>NET ASSETS</b>			<u>27,638</u>	<u>18,674</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	23	156	156	156
Share premium		72	72	72
Retained earnings		<u>27,410</u>	<u>18,446</u>	<u>18,446</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>27,638</u>	<u>18,674</u>
Company's profit for the financial year		<u>9,594</u>	<u>2,889</u>	<u>2,889</u>

The financial statements were approved by the Board of Directors on 25/7/19 and were signed on its behalf by:



.....  
P Smith - Director

The notes form part of these financial statements

NASMYTH GROUP LIMITED

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

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Translation reserve £'000	Total equity £'000
<b>Balance at 1 February 2017</b>	156	18,017	72	109	18,354
<b>Changes in equity</b>					
Dividends	-	(420)	-	-	(420)
Total comprehensive income	-	2,068	-	(245)	1,823
<b>Balance at 31 January 2018</b>	<u>156</u>	<u>19,665</u>	<u>72</u>	<u>(136)</u>	<u>19,757</u>
<b>Changes in equity</b>					
Dividends	-	(630)	-	-	(630)
Total comprehensive income	-	1,540	-	(405)	1,135
<b>Balance at 31 January 2019</b>	<u>156</u>	<u>20,575</u>	<u>72</u>	<u>(541)</u>	<u>20,262</u>

The notes form part of these financial statements

NASMYTH GROUP LIMITED

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

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
<b>Balance at 1 February 2017</b>	156	15,977	72	16,205
<b>Changes in equity</b>				
Dividends	-	(420)	-	(420)
Total comprehensive income	-	2,889	-	2,889
<b>Balance at 31 January 2018</b>	<u>156</u>	<u>18,446</u>	<u>72</u>	<u>18,674</u>
<b>Changes in equity</b>				
Dividends	-	(630)	-	(630)
Total comprehensive income	-	9,594	-	9,594
<b>Balance at 31 January 2019</b>	<u>156</u>	<u>27,410</u>	<u>72</u>	<u>27,638</u>

The notes form part of these financial statements

NASMYTH GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JANUARY 2019

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(10,617)	2,399
Interest paid		(460)	(348)
Tax paid		<u>(265)</u>	<u>(314)</u>
Net cash from operating activities		<u>(11,342)</u>	<u>1,737</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(5,913)	(4,290)
Sale of tangible fixed assets		30	196
Sale of fixed asset investments		4,937	-
Acquisition of subsidiary		(2,132)	-
Cash from acquisition		294	-
Dividends received		<u>1,217</u>	<u>590</u>
Net cash from investing activities		<u>(1,567)</u>	<u>(3,504)</u>
<b>Cash flows from financing activities</b>			
New loans in year	20	20,505	9
Repayment of borrowings		(5,880)	(1,111)
Repayments of finance lease liabilities		(1,186)	(1,024)
Proceeds from new finance leases		2,884	2,489
Equity dividends paid		<u>(630)</u>	<u>(420)</u>
Net cash from financing activities		<u>15,693</u>	<u>(57)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year	2	4,074	6,409
Effect of foreign exchange rate changes		<u>(549)</u>	<u>(511)</u>
Cash and cash equivalents at end of year	2	<u>6,309</u>	<u>4,074</u>

The notes form part of these financial statements

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JANUARY 2019

1. RECONCILIATION OF PROFIT FOR THE FINANCIAL YEAR TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£'000	£'000
Profit for the financial year	1,540	2,068
Depreciation charges	2,975	2,749
Profit on disposal of fixed assets	(10)	(64)
Operating profit share - JVs & associate	(871)	(1,445)
Profit from disposal of investments	(3,406)	-
Finance costs	609	439
Taxation	<u>1,120</u>	<u>1,151</u>
	1,957	4,898
Increase in stocks	(506)	(2,467)
Increase in trade and other debtors	(5,795)	(3,163)
(Decrease)/increase in trade and other creditors	<u>(6,273)</u>	<u>3,131</u>
<b>Cash generated from operations</b>	<b><u>(10,617)</u></b>	<b><u>2,399</u></b>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 January 2019

	2019	2018
	£'000	£'000
Cash and cash equivalents	<u>6,309</u>	<u>4,074</u>

Year ended 31 January 2018

	2018	2017
	£'000	£'000
Cash and cash equivalents	<u>4,074</u>	<u>6,409</u>

The notes form part of these financial statements

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JANUARY 2019

3. ANALYSIS OF CHANGES IN NET DEBT

	2018 £'000	Cash flow £'000	Non-cash movements £'000	2019 £'000
<b>Net cash</b>				
Cash at bank	<u>4,074</u>	<u>2,784</u>	<u>(549)</u>	<u>6,309</u>
	<u>4,074</u>	<u>2,784</u>	<u>(549)</u>	<u>6,309</u>
<b>Debt</b>				
Finance leases	(3,403)	(1,550)	(148)	(5,101)
Debts falling due within 1 year	(572)	4,800	(5,308)	(1,080)
Debts falling due after 1 year	<u>(5,308)</u>	<u>(19,425)</u>	<u>5,308</u>	<u>(19,425)</u>
	<u>(9,283)</u>	<u>(16,175)</u>	<u>(148)</u>	<u>(25,606)</u>
<b>Total</b>	<u>(5,209)</u>	<u>(13,391)</u>	<u>(697)</u>	<u>(19,297)</u>

The notes form part of these financial statements

**NASMYTH GROUP LIMITED**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JANUARY 2019**

**4. ACQUISITION OF BUSINESS**

**Acquisitions in the current period**

On 15 November 2018, the group acquired the remaining 50% of the shares of GEB Surface Treatments Limited for £2,061,000 from its fellow shareholder. The company's principal activity is that of surface treatment of metal components. Following acquisition, the business contributed revenue of £458,000 and net profit of £115,000 to the revenue and net profit for the year.

**Effect of acquisition**

The acquisition had the following effect on the group's assets and liabilities.

Acquiree's net assets at the acquisition date	Book values	Fair value adjustment	Recognised values on acquisition
	£'000	£'000	£'000
Tangible fixed assets	316	107	423
Stocks	11	-	11
Trade and other debtors	497	-	497
Cash	294	-	294
Trade and other creditors	(646)	-	(646)
Deferred tax liabilities	(60)	-	(60)
	<u>412</u>	<u>107</u>	<u>519</u>
 Net identifiable assets and liabilities	 <u>412</u>	 <u>107</u>	 <u>519</u>
 50% of net identifiable assets and liabilities	 <u>206</u>	 <u>107</u>	 <u>313</u>
 <b>Total cost of business combination:</b>			
Consideration paid:			
Initial cash consideration relating to business combination			2,061
Costs directly attributable to the business combination			<u>71</u>
Total consideration			<u>2,132</u>
 Goodwill on acquisition			 <u>1,819</u>

The fair value adjustment related to an uplift in plant and machinery reported at acquisition.

The expected useful life of goodwill stemming from this acquisition is 10 years.

**Acquisitions in the prior period**

There were no acquisitions in the prior year.

The notes form part of these financial statements

## NASMYTH GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 1. STATUTORY INFORMATION

Nasmyth Group Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office can be found on the Company Information page.

#### 2. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The presentation currency of the financial statements is the Pound Sterling (£) and amounts have been presented in round thousands (£'000).

##### **Going concern**

The group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2.

The group and company continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The group has positive cash balances, net current assets and net assets. The group has sufficient financial resources and, as a consequence, the directors believe that the group is well placed to manage their financial risks successfully and that the group has adequate resources to continue in operational existence for the foreseeable future.

##### **Financial Reporting Standard 102 - reduced disclosure exemptions**

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**NASMYTH GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019**

---

**2. ACCOUNTING POLICIES - continued**

**Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 January 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated statement of profit and loss and other comprehensive income from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investors hold between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated statement of profit and loss and other comprehensive income and its interest in their net assets is recorded on the balance sheet using the equity method.

Where a group company is party to a joint venture which is not an entity that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

In the parent company financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

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2. ACCOUNTING POLICIES - continued

**Turnover**

Turnover is measured at the fair value of the consideration receivable which generally equates to the invoiced amount, excluding sales tax. The group has two principal revenue streams:

(i) Sales of product

Turnover for sales of goods is recognised when the risk and rewards of ownership have passed which, dependent upon the contractual terms, may be at the point of despatch, acceptance by the customer or certification by the customer.

(ii) Long Term Contracts

On certain contracts, the group recognises turnover over a period of time as risks and rewards are transferred. Turnover is measured based on the consideration specified in a contract with a customer, excluding amounts collected on behalf of third parties. Where consideration is not specified within the contract or is otherwise subject to variability, the group estimates the amount of consideration to be received from its customer.

Turnover is recognised using the input method, which uses costs incurred and the assessed margin across the contract to determine the turnover to be recognised. The input method is used to measure progress as it best depicts the transfer of control to the customer. The margin and associated revenue are calculated based on the estimated transaction price and expected total costs, with considerations made for the associated contract risks.

**Design and Build**

On occasions cash is received in advance of work performed to compensate the group for costs incurred in design and development activities. Where such amounts are received and the risks and rewards of ownership over development assets are not deemed to have been transferred, amounts are deferred onto the balance sheet and taken to turnover as the group performs its contractual obligations either on delivery or product milestones.

**Business combinations**

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

---

2. ACCOUNTING POLICIES - continued

**Intangible assets, goodwill and negative goodwill**

(i) Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

(ii) Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included in goodwill and released to the statement of profit and loss and other comprehensive income in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in the statement of profit and loss and other comprehensive income in the periods expected to benefit.

(iii) Research and development

Expenditure on research activities is recognised in the statement of profit and loss and other comprehensive income as an expense as incurred.

The company is not involved in any development activities.

(iv) Other intangible assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

(v) Amortisation

Amortisation is charged to the statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Customer relationships	5 years
------------------------	---------

The basis for choosing these useful lives is the expected number of years to generate benefits from existing customer relationships.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

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2. ACCOUNTING POLICIES - continued

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are charged to the profit and loss account and other comprehensive income over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the statement of profit and loss and other comprehensive income on a straight line basis over the lease term.

The group assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	50 years
Short leasehold property	Over the life of the lease
Plant and machinery	7 - 12 years
Fixtures and fittings	3 - 5 years
Motor vehicles	3 - 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

**Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**NASMYTH GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019**

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**2. ACCOUNTING POLICIES - continued**

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for:

- differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and
- differences relating to investments in subsidiaries, associates, and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Foreign currencies**

Transactions in foreign currencies are translated to the group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of profit and loss and other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

## NASMYTH GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 JANUARY 2019

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#### 2. ACCOUNTING POLICIES - continued

##### **Defined contribution plans and other long term employee benefits**

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss and other comprehensive income in the periods during which services are rendered by employees.

##### **Classification of financial instruments issued by the group**

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

##### **Basic financial instruments**

###### (i) Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

###### (ii) Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

###### (iii) Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through the statement of profit and loss and other comprehensive income. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with changes recognised in the statement of profit and loss and other comprehensive income. Other investments are measured at cost less impairment in the statement of profit and loss and other comprehensive income.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

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2. ACCOUNTING POLICIES - continued

**Impairment excluding stocks, and deferred tax assets**

(i) Financial assets (including trade and other debtors)

A financial asset not carried at fair value through the profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the statement of profit and loss and other comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit and loss and other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU") that are expecting to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**NASMYTH GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019**

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**2. ACCOUNTING POLICIES - continued**

**Provisions**

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**Operating lease**

Payments (excluding costs for services and insurance) made under operating leases are recognised in the the statement of profit and loss and other comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the statement of profit and loss and other comprehensive income over the term of the lease as an integral part of the total lease expense.

**Finance lease**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

**Interest receivable and interest payable**

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in the statement of profit and loss and other comprehensive income using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of profit and loss and other comprehensive income (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in the statement of profit and loss and other comprehensive income as they accrue, using the effective interest method. Dividend income is recognised in the statement of profit and loss and other comprehensive income on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in this note, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Stocks

In determining the cost of stocks the Directors have to make judgements to arrive at cost and net realisable value. Determining cost requires judgement as to the value of labour and overheads applied to stocks. Determining the net realisable value of products held requires judgement to be applied to determine the likely saleability of the product and the potential price that can be achieved. In arriving at any provisions for net realisable value the directors take into account the age, conditioning and quality of the product stocked and the recent trend in sales.

With the exception of the critical judgements and key sources of estimation described above, the directors consider that there are no other significant judgements or estimates in the preparation of these financial statements.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2019	2018
	£'000	£'000
United Kingdom	54,954	45,311
Europe	9,093	11,252
Asia	4,328	2,524
North America	10,264	9,825
Other	214	170
	<u>78,853</u>	<u>69,082</u>

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

5. OTHER OPERATING INCOME

	2019 £'000	2018 £'000
Business interruption claim	137	583
Research and development tax credits	547	327
Recharges to joint ventures and associate	-	236
Other sundry income	<u>38</u>	<u>-</u>
	<u><u>722</u></u>	<u><u>1,146</u></u>

Other operating income includes £547,000 (2018: £327,000) of Research and Development credits, of which £Nil (2018: £32,000) relates to the previous financial year.

The business interruption claim of £Nil (2018: £583,000) relates to a fire that happened during the year ended 31 January 2016 in Nasmyth TMF, Inc., a subsidiary based in the United States.

The business interruption claim of £137,000 (2018: £Nil) relates to a fire that happened during the year ended 31 January 2019 in Nasmyth West Middlesex Limited, a subsidiary based in the UK.

6. EMPLOYEES AND DIRECTORS

	2019 £'000	2018 £'000
Wages and salaries	26,320	24,840
Social security costs	2,522	2,311
Other pension costs	<u>676</u>	<u>570</u>
	<u><u>29,518</u></u>	<u><u>27,721</u></u>

The average number of employees during the year was as follows:

	2019	2018
Sales, distribution and administration	192	150
Production	<u>592</u>	<u>584</u>
	<u><u>784</u></u>	<u><u>734</u></u>

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

6. EMPLOYEES AND DIRECTORS - continued

	2019 £'000	2018 £'000
Emoluments for qualifying services	870	838
Contributions to money purchase pension schemes	<u>15</u>	<u>-</u>
	<u>885</u>	<u>838</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2019	2018
Money purchase schemes	<u>1</u>	<u>-</u>

The emoluments of the highest paid director were as follows:

	2019 £'000	2018 £'000
Emoluments for qualifying services	347	332
Contributions to money purchase pension schemes	<u>-</u>	<u>-</u>

Total compensation of key management personnel (including the directors) in the year amounted to £885,000 (2018: £923,000).

7. OPERATING PROFIT

	2019 £'000	2018 £'000
Research and development expensed as incurred	4,889	2,851
Depreciation - owned assets	1,531	1,563
Depreciation - assets held under finance lease or hire purchase contracts	716	554
Amortisation	728	632
Profit on disposal of fixed assets	10	64
Operating lease expense	1,575	854
Foreign exchange losses	<u>76</u>	<u>153</u>
<b>Auditors' remuneration</b>		
Audit of these financial statements	41	22
Audit of financial statements of subsidiaries of the company	83	78
Taxation compliance services	48	41
Other taxation services	<u>-</u>	<u>39</u>

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

8. NON-RECURRING TRANSACTIONS

	2019 £'000	2018 £'000
Non-operating expenses	(4,255)	(321)
Profit on disposal of joint ventures and associates	<u>3,406</u>	<u>-</u>
	<u>(849)</u>	<u>(321)</u>

Non-operating costs, such as legal expenses and consultancy costs, relate to the fire in Nasmyth TMF, Inc.. These are included in the Statement of profit and loss and other comprehensive income but are considered to be non-recurring in nature. In 2019, this includes £3,013,000 relating to a final legal settlement.

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Bank interest	141	131
Other interest	319	217
Hire purchase	<u>149</u>	<u>91</u>
	<u>609</u>	<u>439</u>

10. TAXATION

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	1,029	764
Prior year adjustments	<u>(45)</u>	<u>389</u>
Total current tax	<u>984</u>	<u>1,153</u>
Deferred tax:		
Deferred taxation	16	-
Timing differences	17	(2)
Prior year adjustments	<u>103</u>	<u>-</u>
Total deferred tax	<u>136</u>	<u>(2)</u>
Tax on profit	<u>1,120</u>	<u>1,151</u>

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

10. TAXATION - continued

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is the same as the standard rate of corporation tax in the UK.

	2019 £'000	2018 £'000
Profit before tax	<u>2,660</u>	<u>3,219</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19.167%)	505	617
Effects of:		
Income not deductible for tax purposes	570	-
Depreciation in excess of capital allowances	114	72
Adjustments to tax charge in respect of previous periods	121	389
Research and development expenditure	(15)	30
Impact of rate differences between deferred and current tax	(211)	(5)
Net expenses not deductible for tax purposes	<u>36</u>	<u>48</u>
Total tax charge	<u>1,120</u>	<u>1,151</u>

**Tax effects relating to effects of other comprehensive income**

	Gross £'000	2019 Tax £'000	Net £'000
Loss on translation reserve	<u>(405)</u>	<u>-</u>	<u>(405)</u>
	Gross £'000	2018 Tax £'000	Net £'000
Loss on translation reserve	<u>(245)</u>	<u>-</u>	<u>(245)</u>

**Factors that may affect future current and total tax charges**

Reductions in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015, and to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly.

11. INDIVIDUAL STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of profit and loss and other comprehensive income of the parent company is not presented as part of these financial statements.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

12. DIVIDENDS

	2019 £'000	2018 £'000
Ordinary shares of 25p and £1 each Interim and paid	<u>630</u>	<u>420</u>

13. INTANGIBLE FIXED ASSETS

Group

	Goodwill £'000	Negative goodwill £'000	Intangibles £'000	Totals £'000
<b>COST</b>				
At 1 February 2018	5,526	(5,053)	540	1,013
Additions	1,819	-	-	1,819
Exchange differences	<u>292</u>	<u>-</u>	<u>40</u>	<u>332</u>
At 31 January 2019	<u>7,637</u>	<u>(5,053)</u>	<u>580</u>	<u>3,164</u>
<b>AMORTISATION</b>				
At 1 February 2018	1,935	(4,210)	456	(1,819)
Amortisation for year	659	(21)	90	728
Exchange differences	<u>64</u>	<u>-</u>	<u>34</u>	<u>98</u>
At 31 January 2019	<u>2,658</u>	<u>(4,231)</u>	<u>580</u>	<u>(993)</u>
<b>NET BOOK VALUE</b>				
At 31 January 2019	<u>4,979</u>	<u>(822)</u>	<u>-</u>	<u>4,157</u>
At 31 January 2018	<u>3,591</u>	<u>(843)</u>	<u>84</u>	<u>2,832</u>

Intangibles represent customer relations acquired as part of the acquisition of Nasmyth TMF, Inc. in July 2014.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

14. TANGIBLE FIXED ASSETS

Group

	Freehold property £'000	Short leasehold £'000	Plant and machinery £'000
<b>COST</b>			
At 1 February 2018	7,919	74	17,573
Additions	290	46	5,283
Disposals	-	-	(858)
Exchange differences	(2)	-	(72)
Acquired through business combinations	-	101	322
At 31 January 2019	<u>8,207</u>	<u>221</u>	<u>22,248</u>
<b>DEPRECIATION</b>			
At 1 February 2018	1,357	18	8,334
Charge for year	100	3	1,936
Eliminated on disposal	-	-	(854)
Exchange differences	-	-	15
At 31 January 2019	<u>1,457</u>	<u>21</u>	<u>9,431</u>
<b>NET BOOK VALUE</b>			
At 31 January 2019	<u>6,750</u>	<u>200</u>	<u>12,817</u>
At 31 January 2018	<u>6,562</u>	<u>56</u>	<u>9,239</u>

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

14. TANGIBLE FIXED ASSETS - continued

Group

	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
<b>COST</b>			
At 1 February 2018	2,018	42	27,626
Additions	294	-	5,913
Disposals	(41)	(4)	(903)
Exchange differences	(2)	-	(76)
Transfer to ownership	-	-	423
At 31 January 2019	<u>2,269</u>	<u>38</u>	<u>32,983</u>
<b>DEPRECIATION</b>			
At 1 February 2018	1,478	29	11,216
Charge for year	203	5	2,247
Eliminated on disposal	(28)	(1)	(883)
Exchange differences	(1)	-	14
At 31 January 2019	<u>1,652</u>	<u>33</u>	<u>12,594</u>
<b>NET BOOK VALUE</b>			
At 31 January 2019	<u>617</u>	<u>5</u>	<u>20,389</u>
At 31 January 2018	<u>540</u>	<u>13</u>	<u>16,410</u>

Included in the total net book value of plant and machinery is £7,394,000 (2018: £4,749,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £709,000 (2018: £529,000).

Included in the total net book value of fixtures, fittings and equipment is £23,000 (2018: £31,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £7,000 (2018: £7,000).

Included in land and buildings is freehold land of £2,833,000 (2018: £2,833,000) which is not being depreciated.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

14. TANGIBLE FIXED ASSETS - continued

Company

	Fixtures and fittings £'000
<b>COST</b>	
At 1 February 2018	92
Additions	19
Disposals	<u>(41)</u>
At 31 January 2019	<u>70</u>
<b>DEPRECIATION</b>	
At 1 February 2018	73
Charge for year	4
Eliminated on disposal	<u>(28)</u>
At 31 January 2019	<u>49</u>
<b>NET BOOK VALUE</b>	
At 31 January 2019	<u>21</u>
At 31 January 2018	<u>19</u>

15. FIXED ASSET INVESTMENTS

Group

	Interest in joint venture £'000	Interest in associate undertaking £'000	Totals £'000
<b>COST</b>			
At 1 February 2018	1,804	454	2,258
Disposals	(1,126)	(607)	(1,733)
Share of profit/(loss)	539	153	692
Dividends received	<u>(1,217)</u>	-	<u>(1,217)</u>
At 31 January 2019	-	-	-
<b>NET BOOK VALUE</b>			
At 31 January 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 31 January 2018	<u>1,804</u>	<u>454</u>	<u>2,258</u>

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

15. FIXED ASSET INVESTMENTS - continued

Company	Shares in group undertakings £'000	Interest in joint venture £'000	Totals £'000
<b>COST</b>			
At 1 February 2018	5,047	2	5,049
Additions	2,132	-	2,132
Disposals	-	(2)	(2)
At 31 January 2019	<u>7,179</u>	-	<u>7,179</u>
<b>NET BOOK VALUE</b>			
At 31 January 2019	<u>7,179</u>	-	<u>7,179</u>
At 31 January 2018	<u>5,047</u>	<u>2</u>	<u>5,049</u>

**NASMYTH GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019**

**15. FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiary**

	Registered office	Country of incorporation	Principal activity
<b>The company own 100% of the Ordinary shares of the following entities:</b>			
Nasmyth Bulwell Limited	1	England & Wales	Manufacture of precision machined components
C&M 2016 Limited	1	England & Wales	Dormant
Nasmyth Coventry Limited	1	England & Wales	Engineering, machining and metal fabrications
Nasmyth Doughty Limited	1	England & Wales	Manufacture of precision machined components
Nasmyth Henton Limited	1	England & Wales	Engineering, machining and testing components
Nasmyth IEC Limited	1	England & Wales	Manufacture of precision machined components
Nasmyth Composites Limited	1	England & Wales	Dormant
Nasmyth Engineering Limited	1	England & Wales	Dormant
Nasmyth Enterprises Limited	1	England & Wales	Asset holding company
Nasmyth Industries Limited	1	England & Wales	Holding company
Nasmyth Technologies Limited	1	England & Wales	Engineering, machining and metal fabrications
Professional Welding Services Limited	1	England & Wales	Dormant
West Middlesex Plating Company Limited	1	England & Wales	Dormant
Nasmyth West Middlesex Limited	1	England & Wales	Surface treatments
GEB Surface Treatments Limited	1	England & Wales	Surface treatments
<b>Subsidiaries of the company own 100% of the Ordinary shares of the following entities:</b>			
Excel Calibration & Test Limited	2	England & Wales	Dormant
L.M.D. Process Limited	1	England & Wales	Dormant
Nasmyth Aerospace Holdings, Inc	1	USA	Holding company
Nasmyth Holdings, Inc	1	USA	Holding company
Nasmyth India Pvt. Limited	1	India	Dormant
Nasmyth Industrial Holdings, Inc	1	USA	Holding company
			Provider of machinery resources to precision engineering industry
Nasmyth Precision Products, Inc	1	USA	
Nasmyth TMF, Inc	1	USA	Surface treatments
Swift & Wass Limited	1	England & Wales	Dormant

1 - Nasmyth House, Coventry Road, Exhall, Coventry, CV7 9FT

2 - Wharf Road Industrial Estate, Pinxton, Nottinghamshire, NG16 6LE

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

15. FIXED ASSET INVESTMENTS - continued

**Joint ventures**

During the year, the parent company disposed of its 50% shareholding in Towerfield Plating Limited.

**Associated companies**

During the year, a subsidiary of the company disposed of its 33.33% shareholding in Metal Process Services Limited.

16. STOCKS

	Group	
	2019	2018
	£'000	£'000
Raw materials and consumables	2,366	1,846
Work-in-progress	7,196	7,437
Finished goods	<u>2,399</u>	<u>2,161</u>
	<u>11,961</u>	<u>11,444</u>

**Company**

The company does not hold any stock.

17. DEBTORS

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	20,181	16,624	-	-
Amounts owed by group undertakings	-	-	33,783	29,484
Amounts owed by joint ventures	-	8	-	-
Amounts owed by associates	-	37	-	-
Other debtors	775	107	16	13
Deferred consideration	600	-	-	1
Taxation	-	-	-	1
Deferred tax asset	-	-	8	6
Amounts recoverable on contracts	1,260	-	-	-
Prepayments	<u>1,028</u>	<u>776</u>	<u>396</u>	<u>170</u>
	<u>23,844</u>	<u>17,552</u>	<u>34,203</u>	<u>29,674</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>902</u>	<u>-</u>
Total debtors	<u>23,844</u>	<u>17,552</u>	<u>35,105</u>	<u>29,674</u>

Deferred consideration of £600,000 (2018: £Nil) relates to the sale of Metal Process Systems Limited during the year.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans and overdrafts (see note 20)	1,080	572	833	281
Finance leases (see note 21)	1,380	1,186	-	-
Trade creditors	10,422	9,794	126	251
Amounts owed to group undertakings	-	-	14,004	15,430
Amounts owed to joint ventures	-	73	-	-
Amounts owed to associates	-	155	-	-
Taxation	721	44	675	-
Social security and other taxes	746	703	61	52
VAT	1,216	866	222	183
Other creditors	381	10,633	21	2
Accruals and deferred income	6,665	2,924	896	174
	<u>22,611</u>	<u>26,950</u>	<u>16,838</u>	<u>16,373</u>

In line with the new revolving financing facility with Wells Fargo Capital Limited, the debt, which is secured on the assets of the company, is not repayable on demand, unlike the previous Lloyds Banking Group PLC facility. Therefore, included within other creditors is an amount of £Nil (2018: £9,197,000) which is secured upon trade debtors and varies in line with sales.

Finance lease liabilities are secured against the assets to which they relate.

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans (see note 20)	19,425	5,308	1,319	-
Finance leases (see note 21)	3,721	2,217	-	-
Deferred consideration	152	142	-	-
	<u>23,298</u>	<u>7,667</u>	<u>1,319</u>	<u>-</u>

Finance lease liabilities are secured against the assets to which they relate.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

20. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due within one year or on demand:				
Bank loans	<u>1,080</u>	<u>572</u>	<u>833</u>	<u>281</u>
Amounts falling due between two and five years:				
Bank loans	<u>19,425</u>	<u>5,162</u>	<u>1,319</u>	<u>-</u>
Amounts falling due in more than five years:				
Repayable by instalments				
Bank loans over five years	<u>-</u>	<u>146</u>	<u>-</u>	<u>-</u>

During the year, the group entered into a new lending facility which is an asset based lending and revolving credit facility provided by Wells Fargo Capital Finance (UK) Limited. The previous loan facility of £5,162,000 and the other creditors secured upon trade debtors of £9,197,000 (see note 18) were repaid during the year. The new facility has a limit of £26 million and has a final maturity date of 14 June 2021. The facility is secured based on the gross collateral of the receivables, plant and equipment and property of the group and has a fixed charge over such assets. During the year, the interest rate applied was LIBOR plus a margin ranging between 1.75% and 3.5%. The facility elements are detailed below.

Terms and debt repayment schedule

Group

	Nominal interest rate	Year of maturity	Repayment schedule	2019 £'000	2018 £'000
Mortgage	2.5%	2019	Quarterly	-	1,598
Plant loans	3.0%	2019	Quarterly	-	281
Revolving credit facility	LIBOR + 1.75%	Revolving	Monthly	15,903	-
Equipment loan	LIBOR + 2.25%	2021	Monthly	996	-
Property loan	LIBOR + 2.25%	2021	Monthly	1,454	-
Cash flow loan	LIBOR + 3.50%	2021	Monthly	2,152	-
Finance lease liabilities	6.0%	1-60 months	Quarterly	5,055	3,403

Company

	Nominal interest rate	Year of maturity	Repayment schedule	2019 £'000	2018 £'000
Cash flow loan	LIBOR + 3.50%	2021	Monthly	2,152	-

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

21. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

**Group**

	Finance leases	
	2019 £'000	2018 £'000
Net obligations repayable:		
Within one year	1,380	1,186
Between one and five years	<u>3,721</u>	<u>2,217</u>
	<u>5,101</u>	<u>3,403</u>

**Group**

	Non-cancellable operating leases	
	2019 £'000	2018 £'000
Within one year	1,642	584
Between one and five years	5,716	837
In more than five years	<u>596</u>	<u>-</u>
	<u>7,954</u>	<u>1,421</u>

**Company**

	Non-cancellable operating leases	
	2019 £'000	2018 £'000
Within one year	<u>31</u>	<u>-</u>

The group has provided guarantees for the net obligations under hire purchase contracts of its subsidiaries which at the year end amounted to £5,101,000 (2018: £3,403,000).

22. PROVISIONS FOR LIABILITIES

	Group	
	2019 £'000	2018 £'000
Deferred taxation	<u>277</u>	<u>84</u>
Other provisions	<u>212</u>	<u>112</u>
Aggregate amounts	<u>489</u>	<u>196</u>

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

22. PROVISIONS FOR LIABILITIES - continued

Group	Deferred tax £'000	Other provisions £'000
Balance at 1 February 2018	84	112
Charge to Statement of Profit and Loss and Other Comprehensive Income during year	193	-
Acquired through business combinations	<u>-</u>	<u>100</u>
Balance at 31 January 2019	<u>277</u>	<u>212</u>
Company		Deferred tax £'000
Balance at 1 February 2018		(6)
Credit to Statement of profit and loss and other comprehensive income during year		<u>(2)</u>
Balance at 31 January 2019		<u>(8)</u>

Other provisions relate to provisions for lease dilapidations for obligations taken on by the group in connection with the acquisition of GEB Surface Treatments Limited and the acquisition of Nasmyth IEC Limited. It is not yet known when the related cost is expected to be incurred.

23. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
<b>Allotted, called up and fully paid</b>		
480,000 Ordinary A shares of 25 pence each	120	120
75,504 Ordinary B shares of 25 pence each	18	18
37,750 Ordinary C1 shares of 25 pence each	9	9
34,120 Ordinary C2 shares of 25 pence each	9	9
100 Ordinary D shares of 100 pence each	<u>-</u>	<u>-</u>
	<u>156</u>	<u>156</u>

The Ordinary A, B, C and D shares are attributed rights in accordance with the company's articles of association adopted on 9 June 2014.

NASMYTH GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019

24. RESERVES

Group	Retained earnings £'000	Share premium £'000	Translation reserve £'000	Totals £'000
At 1 February 2018	19,665	72	(136)	19,601
Profit for the year	1,540	-	-	1,540
Dividends	(630)	-	-	(630)
Movement for the year	<u>-</u>	<u>-</u>	<u>(405)</u>	<u>(405)</u>
At 31 January 2019	<u>20,575</u>	<u>72</u>	<u>(541)</u>	<u>20,106</u>
Company	Retained earnings £'000	Share premium £'000	Totals £'000	
At 1 February 2018	18,446	72	18,518	
Profit for the year	9,594	-	9,594	
Dividends	(630)	-	(630)	
At 31 January 2019	<u>27,410</u>	<u>72</u>	<u>27,482</u>	

25. PENSION COMMITMENTS

**Group**

The group operates a defined contribution pension. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £697,000 (2018: £570,000).

There were outstanding contributions of £136,000 (2018: £86,000) at the end of the financial year. These are included in creditors and have been settled since the year end.

**Company**

The company operates a defined contribution pension. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £40,000 (2018: £23,000).

There were outstanding contributions of £20,000 (2018: £2,000) at the end of the financial year. These are included in creditors and have been settled since the year end.

26. CONTINGENCIES AND COMMITMENTS

**Capital commitments**

At the year end, the group had capital commitments contracted but not provided for in these financial statements of £406,000 (2018: £1,901,000).

The company has given cross guarantees in respect of bank loans and overdrafts of group companies, amounting to £20,505,000 (2018: £5,879,000), which are secured by fixed and floating charges over the assets of the group.

**NASMYTH GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 JANUARY 2019**

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**27. RELATED PARTY DISCLOSURES**

Metal Process Services Limited ('MPS') was related to the group by virtue of Nasmyth Bulwell Limited holding 33.33% of the issued share capital of that company until it was fully disposed of during the year. During the year, until the point of sale, the group made sales of £63,000 (2018: £205,000), charged rent of £10,000 (2018: £42,000) and charged management charges of £16,000 (2018: £33,000) to MPS. During the year, up until the point of sale, the group made purchases of £414,000 (2018: £1,077,000) from MPS. At the balance sheet date the company was no longer a related party. In the prior year, the net amount due from MPS was £118,000.

GEB Surface Treatments Limited ('GEB') was related to the group by virtue of Nasmyth Group Limited holding 50% of the issued share capital of that company. During the year the company acquired the remaining 50% of the share capital. During the year, up until the change in control, the group charged rent of £95,000 (2018: £120,000) and charged management charges of £23,000 (2018: £25,000) to GEB. During the year, up until the change in control, there were purchases of £116,000 (2018: £239,000) from GEB. At the balance sheet, the balance due to GEB is included in amounts due to group companies. In the prior year, the net amount due to GEB was £65,000.

**28. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is Mr P Smith, by virtue of his shareholding.