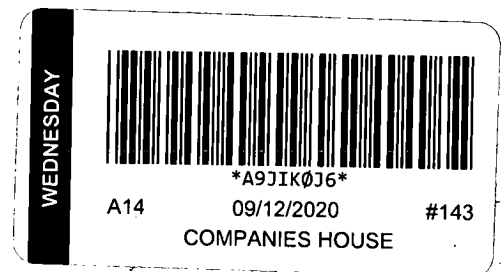


Nasmyth Group Limited

**Group Strategic Report,  
Report of the Directors and  
Audited Consolidated Financial  
Statements  
for the year ended 31 January  
2020**



**NASMYTH GROUP LIMITED**  
**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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**NASMYTH GROUP LIMITED  
COMPANY INFORMATION  
FOR THE YEAR ENDED 31 JANUARY 2020**

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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 & Wales)

**AUDITORS**

KPMG LLP, Statutory Auditor  
Chartered Accountants  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
MK9 1BP

# NASMYTH GROUP LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 JANUARY 2020

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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 31 January 2020.

#### **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 other 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 follows a clear and single approach to strategy; aiming to create sustainable long-term value through global growth. The strategy is delivered through a controlled balance of sustainable organic growth, investment in key technology and external international acquisition which together, seeks to provide the sustainable returns for the ultimate shareholders of the group. Key technology investment and product and capability differentiation is critical to the group and therefore it is continuing to develop new Intellectual Property Rights ("IPR") and product opportunities, enhance the capability of the surface treatment and 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 Asia.

The expansion of the group will continue to benefit from the new projects from major airframe providers which will require new technology and capital investment in Asia, North America and in the UK. Development of the North American and Asian markets in parallel, supported by the UK, is seen as the principal focus for furthering new technology and for growth targets and the new business pipeline has already shown strong positive conversion of enquiries into sales in those areas. The group has established key partnerships in order to further support the development of new business and technologies in key areas. The group continues to regard operational excellence (in respect of Zero Defects), investment in people, customer relationships and continuous improvement as the overarching core to achieving the sustainable long-term value.

The group has twelve primary operating locations which are situated in the United Kingdom, North America and Asia and has a Corporate Head Office based in Coventry UK. There are also satellite sales and support offices located in Toulouse, France and in Seattle, USA. The group is planning to expand this support office network, primarily in Asia, with the opening of an office in Japan and/or Manilla. To further deliver the "One Nasmyth" strategy of the group, the primary locations operate now as four divisions identified by core competence, capability and customer base. These are Metallics, Technologies, Systems & Defence, and Specialist. The four divisions are supported by the Nasmyth Asia infrastructure which operates with partner companies satisfying its supply chain interests in both India and the Philippines (specifically Manilla).

There has been a further successful programme of showcasing of the group's capabilities through attending industry forums and during the year it successfully exhibited at two prestigious shows, DSEI and the Paris Air Show. DSEI was the largest exhibition carried out by Nasmyth. At approximately 96 square feet, the showcase resulted in a pleasing level of customer interest and a high conversion success rate, which has supported the development and growth of the Systems and Defence Division. This show was also an opportunity to have a new customer to the group to co-locate and display alongside Nasmyth on the stand. The Paris Air show saw a full week of exhibiting with senior management attending a wide range of customer meetings which has again resulted in positive business development throughout the year. The group will continue to be represented at all appropriate shows in future years.

# NASMYTH GROUP LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 JANUARY 2020

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The executive directors of the group place great emphasis on the group's position in the aerospace and defence industry as whole. In direct response to this, the group is now well represented and positioned across leading forums and committees where it is able to significantly contribute to the direction of the industry. These include national and regional boards of MAKEUK, various committees and subsets of the Aerospace, Defence and Space ("ADS") (Finance, AMC, and CAT), and the NDI advisory board.

The group reported year over year sales growth of 7.3%, with all Divisions contributing positively to this. This was a very pleasing result demonstrating the strength of the group's diversified markets, differentiated technology, and engineering in addition to customer and business development success against normal market headwinds. The focussed turnaround in parts of the business from the prior year benefitted the group with a full year impact, and the success of recovery from the fire at one of the specialist surface treatments businesses, Nasmyth West Middlesex, UK.

The Systems & Defence division has achieved further growth following on from its original inception in 2017 and continued efforts and focus for development. Year over year growth is reported to be 4%. The division has achieved several milestones on its journey during the year which encapsulate the 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 ranging across space satellite and defence services sectors to subsea and other naval applications. Specific milestones include the consolidation of its position with the supply of weapon and launch assembly sub-systems, the completion and supply of a further satellite transportation system project for large satellites and the supply of several mine sweeping sub systems and overhauls. These areas of specialism and project focused defence work continue to strategically position the division at the forefront of the market and has already received strong customer enquiries followings the DSEI show. As part of the core, the division has extended its contract on important medical equipment which has benefitted from the group's low cost offering. Underpinning all of this development has been the capital investment made in the division to support efficiency and operational performance in key areas and further investment has been identified. Project management is critical to the development of the division further, and indeed across the whole group; and as a result, the group has employed a specialist project and programme manager to continue to drive excellence. The division is now set for further achievements in the coming year including enhancement in the technology and design of underwater systems bringing associated IPR and follow on contracts. The division is pleased to have recently achieved the Joint Supply Chain Accreditation ("JOSCAR"), which is a collaborative tool used by the aerospace, defence and security industry to act as a single repository for pre-qualification and compliance information. Using this system it is possible to determine if a supplier is "fit for business".

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 existing and developing customer base. After a pleasing growth over the prior year, the division has maintained its position with new and existing customers and has increased 1% year over year. The division has secured several partnership agreements to support legacy defence aircraft programmes in North America through its reverse engineering capability which has and will continue to, deliver increased volumes in this sector. The new product introduction process in respect of these new volumes has required dedicated investment and has delayed the full benefit of ramp volume during 2019. A further partnership has been put in place with a large Canadian Original Equipment Manufacturer to supply both Original Equipment and Aftermarket conversion for multi-purpose aircraft. The division has also benefitted from securing new and extended Long Term Agreements with large scale equipment and power generation manufacturers which will secure future growth and there is strong positive growth in the production and after-market business for major civil turbo-prop engine manufacturers. As a result of the continued achievements, the division has established a strategic relationship with a large defence engine manufacturer to be the supplier of choice for defence equipment and has received substantial new orders during

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**FOR THE YEAR ENDED 31 JANUARY 2020**

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the year. The division has many approvals and accreditations in place, in addition Nasmyth Coventry Limited has recently achieved NADCAP merit accreditation for welding, chemical processing and non-destructive testing and x-ray.

The Metallics division has continued to grow steadily delivering growth in sales year over year at 7%. 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, the associated gas turbines that power them and more recently for military aircraft applications, there has been pleasing achievements. The division is now well placed in its global markets and customer base, and new contracts include critical component supply on a European fighter programme, a Long-Term Agreement for fuel connectors on to a high-volume narrow body airframe, a new Long-Term Agreement for large engine parts with a power generation supplier. The division has further secured new lines of business with key Japanese aerospace primes which secures its product position on significant growth wide body platforms including A330 and B787 and is working with a major engine manufacturer to secure additional work by utilising the Nasmyth Asia partner network. The priority has been to secure and deliver a balanced portfolio of customer and product and significant progress has been made in the year with the winning of new business in the Military and Defence sectors. North America has been a growing market and the division has performed well against an important new contract for a global connectivity company and has further developed relationships with existing US powerhouses. The development of a customer base for the division in Asia has been positive with good working relationships now being established with a Chinese civil aerospace manufacturer. It is expected that this will provide positive growth in the following year. As part of the group commitment to quality and delivery, the division has invested in new digital inspection equipment to enhance its capabilities in this area.

The Specialist division has a core offering of wet or dry surface treatments for metals and other materials. Based across locations in the UK and North America and with solid strength in the accurate masking of components that are plated, anodised or painted, this division has delivered a flat sales position year over year on an underlying basis. The continued improvement in sales at Nasmyth TMF (26%) was offset by a decline at Nasmyth West Middlesex, due to the fire and consequent sales recovery. Overall, the division benefitted from a full year of ownership of GEB Surface Treatments (Pinxton, UK) and overall sales showed in a 41% growth year over year for the division. Specialist treatment is considered high growth and high opportunity for the group and therefore significant capital investment was made during the year across the three facilities adding additional lines and capabilities to enable a broader service to existing and new customers. Further investment in additional lines are planned in the following year. It is pleasing to report that the disruption to the group as a result of the small fire at the end of the previous financial year was minimal and operations were re commenced in May 2019 and this together with the additional investment has now established a state-of-the-art facility. The facility in North America is now well established and has seen growth from key relationships with defence primes and other key US military programmes.

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, Philippines and UK 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 is now exceptionally well positioned to provide quick to market access for customers who are looking to exploit this low-cost positioning. A new general manager of Asia is now in place and is driving the development of this business model further.

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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.*

As a recognition of the achievement in growth across the group in its international markets, Nasmyth was placed in 154<sup>th</sup> position in the Sunday Times HSBC International Track 200.

**Historical Market Trends**

The global aerospace market remained healthy throughout 2019 with growth in both the civil aerospace and defence and space markets. The group has in previous years realigned and positioned its product portfolio to be more balanced and has benefitted from this growth in the current year. The following market factors support this trend:

- Strong continued growth in the global air passenger traffic of 4.2%;
- Strong growth in the defence market, driven by increase spending on new platform developments;
- Continued demand growth in Asia;
- High backlog orders held by the major Original Equipment Manufacturers together with long term; and forecast deliveries on narrow and wide bodies.

The oil and gas sector, after many years of decline and recovery, saw steady volume improvement. 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 now more than established in the North American and European aerospace and defence markets and is set for the expected growth of the Asian market in the years ahead.

The market trends above are for the past year and do not reflect the unrepresented changes experienced across the globe as a result of COVID-19. These are explained later in the report.

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**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.

		2020	2019
<b>Turnover</b>	£'000s	<b>84,608</b>	78,853
<b>Operating Profit Margin</b>	%	<b>5.0</b>	4.1
<b>EBITDA</b>	£'000s	<b>6,879</b>	7,093

EBITDA is calculated as profit before non-recurring expenses and income, interest, tax, depreciation and amortisation charge. A reconciliation has been given below:

	2020	2019
	£'000	£'000
<b>Profit for the financial year</b>	<b>1,587</b>	1,540
Tax on profit	<b>1,118</b>	1,120
Interest payable and similar expenses	<b>737</b>	609
Non-recurring expenses	<b>777</b>	4,255
Non-recurring incomes	-	(3,406)
Depreciation	<b>2,018</b>	2,247
Amortisation	<b>642</b>	728
<b>EBITDA</b>	<b>6,879</b>	7,093

**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 group made significant improvements across the business in many key areas including management, engineering and production.

The consolidated results for the group reported sales of £84.6m (2019: £78.9m), operating profit (excluding the group's share from joint ventures & associates in prior year) of £4.2m (2019: £3.2m) and EBITDA of £6.9m (2019: £7.1m). The strong positive sales growth has been delivered throughout 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 further key cost manufacturing and engineering initiatives and programme improvement plans being executed.

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There were several one-off elements in the operating profit which were primarily foreign exchange gains of £0.6m (2019: loss of £0.1m) due to the movement in the USD and INR exchange rates, fire insurance claims recognised at a group level of £0.6m (2019: £0.1m), aborted acquisition costs £0.3m (2019: £Nil) and R&D credits of £0.5m (2019 credits of £0.6m). The EBITDA excludes the non-recurring cost of £0.8m (2019: £4.3m) for litigation settlements, including associated legal fees.

Reported below operating profit are interest and similar income and charges £0.7m (2019: £0.6m), profits from share in associates and joint ventures of £Nil (2019: £0.9m to the point of disposal), profit on disposal of joint ventures and associates of £Nil (2019: £3.4m) and other non-operating costs of £0.8m (2019: £4.3m).

The group is pleased to report a profit before tax of £2.7m (2019: £2.7m) and profit after tax of £1.6m (2019: £1.5m).

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 £21.6m (2019: £21.7m) which was consistent with the prior year. The individual components were Inventory of £13.9m (2019: £12.0m), trade debtors of £19.2m (2019: £20.2m) and trade creditors of £11.5m (2019: £10.4m). Inventory increased due to the timing of the delivery of significant products accounted for under long term contract accounting at the end of the year.

The group is committed to intangible and tangible capital investment and in the year invested £3.6m (2019: £5.9m) in capital equipment across the business as the organic growth of the business has necessitated, and benefitted from, investment in new plant, facilities and supporting services. The Systems and Defence division benefitted from £0.7m of investment across new IPR and machine turning centres to drive growth and factory operational improvement. The Metallics division benefitted from investment of £1.2m with a significant amount in Nasmyth Doughty to provide additional capacity for the new product introduction and secured volume growth. The Specialist division had additional investment of £1.0m across the portfolio to support additional treatments to support customer requirements.

As part of the on-going review of the group's exposure to foreign exchange risk, a new foreign exchange process has been implemented in the group. This is managed at a central treasury level with the principle aim being to mitigate the risk of exposure within the group from the trading with customers in US dollars. Where possible, through cashflow management, the group utilises natural hedges ahead of externally placed financial instruments when these are required to reduce risk.

In line with the requirements of the Wells Fargo Capital Limited financing facility, the group fully completed the transfer of all of its clearing banking facilities during the year. Barclays Bank PLC now provides all of the operational day to day and clearing banking requirements for the group in the UK which replaces those previously provided by Lloyds Banking Group PLC. This transfer has enabled the partnership between the group and Wells Fargo Capital Limited to operate effectively and efficiently.

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**Organisational Activities and Development**

Investment in people remains a key priority for the group. This commitment requires a focus on retaining and developing the existing employees whilst ensuring also, that the “best in class talent” is recruited into the group to support the future. The group continued in the year to use external training providers to deliver specialist training in engineering and software design capability and in particular, focused on the enhancement of the Indian based engineering team. The investment already made by the group in the dedicated Apprentice and Training Academy in Pinxton, UK, continues to add significant value and has been enlarged further during the year. This Academy has secured funding through partnerships with local colleges and thereby, has raised the profile and interest levels of the group’s work experience programme. The benefit of the Academy continues to be utilised throughout the group and is successfully allowing the next generation of future engineers to be developed; the group now has over 40 apprentices with 10 further recruited in the year. The apprentice scheme is successful in that a significant amount of those in training go on to secure employment in various roles in the group.

The group positively recognises the investment required to identify and support the aspiring future leaders of the business. In doing so, it has already rolled out a bespoke operational financial training programme, a manufacturing development programme, which includes sponsorship of 6 people for a degree level qualification, and in limited circumstances, sponsorship to an executive MBA programme.

The group has now trained 36 employees in the principles of lean enterprise. This includes the successful qualification of employees; 2 black belts and 34 green belts. There is now a core capability around the group to deliver continuous improvement activity to support quality, delivery and efficiency. These employees will continue to develop their approach and driver operational improvement in the business throughout the next year.

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.

Health, Safety and the environment is a focus for the Board and the group. Progress has been made in the group in achieving ISO14001 and ISO45001, with work still to be completed in some businesses. This is a testament to the dedication of the workforce in taking these matters seriously. Furthermore, one of the group facilities extended its scope within AS9100 to include design. Employee welfare now has a raised awareness and, across some facilities in the UK, has secured funding for mental health as part of a wider reaching programme.

Post year end, to support the expansion and needs of the group, the Board is required to modify itself to support the change. An advisor to the Chairman and Chief Executive was appointed, Mr Neil Scott, former technical director of Airbus UK, who brings experience in engineering and technology capability in the aerospace sector. The Non-Executive Director, Mr Robert Soen, formerly Senior Vice President of Supply Chain at GKN Aerospace, announced that he would like to step down as a Director of the group Board and instead, will remain within the group with an active role as an advisor on supply chain and Asia.

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**Going concern, COVID-19 impact and post balance sheet events**

Post the year end, the COVID-19 pandemic has had a significant impact on the global economy and as a result, all industries and services have been and continue to be severely affected. The Civil Aerospace market has experienced a significant decline which is expected to recover, albeit at a slow rate, and will impact volumes in the short to medium term. Offsetting this decline is our stable and improving Military Aerospace, Military Land and Sea, Defence, Space and Medical markets which the group is benefitting from during this crisis. The Nasmyth Board continue to have confidence in all markets during the current emergency and unprecedented period of change. Nasmyth, as a group, reacted efficiently and effectively to the pandemic at an early stage and established a specialist rapid response virtual team which incorporated both internal and external expertise to focus across all areas of the business, in particular managing cashflow. The Board uses the guidance from these virtual teams to ensure the financial stability and operational success of the group on a go forward basis and is the principle of the scenario planning undertaken.

The Directors have assessed the short and medium-term outlook through detailed forecasts and scenario planning which demonstrates a long-term viability of the business due to the balanced portfolio of the group between Civil Aerospace and Military Aerospace, Defence, Military Land and Sea and Medical. The Directors have prepared cash flow forecasts for a period 14 months from the date of the approval of these financial statements which indicate that, taking account of reasonable possible downsides and anticipated impact of COVID-19 on the operations and its financial resources, the Group and the Company will have sufficient funds to meet its liabilities as they fall due for that period.

- The Directors have established a reasonable expected base case scenario which is considered to be the most robust and likely scenario. The key assumptions within this scenario are detailed as follows. The latest customer provided schedules, order books, purchase orders and/or known orders have been used as the base for the forward look on sales. These schedules reflect the rapid reduction in the Civil Aerospace market volumes and are considered to be, as a minimum, flat on a go forward basis and is consistent with market expectations. Other markets in which the group operates, including the Military and Defence sectors, are increasing and this has been reflected in the forward forecast. The group has been successful, during the COVID-19 pandemic, of being awarded new business and the benefit of this has been included as per the terms of the contracts awarded. The group has managed its net cost base and has taken significant steps in reducing this which includes hours and pay changes, suspension of dividends and bonuses, headcount reduction and it has in doing this, utilised fully the UK Government Furlough scheme and latterly a redundancy programme. The future benefits of all of this are included within the forecast. The group expects there to be a tightening of working capital and has therefore considered in detail, and provisioned for, this as part of its forecast including additional in month funding requirements. The group halted all non-critical capital expenditure programmes and negotiated appropriate payment holidays with its capital finance providers, in line with the industry as a whole. Where possible, the UK Government VAT deferral and PAYE time to pay schemes have been utilised at each company and agreement plans put in place.

Several plausible and remote downsides have been considered by the Directors to stress test the reasonable expected base case. Whilst considered unlikely or remote, a further sales reduction has been applied in financial year 2021/22 which would reduce the profit and cashflow of the group. Further significant reductions in working capital and detrimental timing of cashflow has been modelled which would impact adversely on the liquidity of the group and have been considered as a downside. Notwithstanding these plausible and remote downsides which could result in a severe but plausible downside case, this does not alter the Directors conclusion on Going Concern.

**NASMYTH GROUP LIMITED**  
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The group has identified several mitigation projects and/or actions that are either in progress or could be utilised should there be further significant and unexpected changes in the market, with those in progress included in the scenarios above. The group has a plan to right size the business and is reviewing a potential re-alignment of its operating facilities in the longer term. Whilst the group has already taken action to amend certain hours and reduce the employee cost, it has a further mitigation available to it which would further reduce total employee costs by up to 10%.

Where additional funding requirements were identified throughout the 12 months forecast, these have been mitigated through the financing put in place as identified below.

The safety of our employees remains a key priority and the group has enacted all social distancing requirements across its global facilities and will continue to operate in this manner for the foreseeable future, however, we will constantly assess this in line with health and government guidelines. The cost of doing and maintaining this is included within the reasonable expected base case.

Post year end, the group commenced its normal discussions with its finance provider Wells Fargo Capital Finance (UK) Limited to renew and extend its existing borrowing facility. As a result of the COVID-19 pandemic this discussion was accelerated. The group, in October 2020, has agreed an amended and restated facility on the existing terms save for an extension of the facility renewal date to December 2022 and a revision of the financial covenants applicable for the period. The group is able to demonstrate adequate headroom within all scenarios and downsides outlined above in the required financial covenants. The facility remains secured on the assets of the business. In addition to the Wells Fargo facility, the group secured in October 2020 a revolving credit facility with Barclays Bank PLC, under the Government's Corona Virus Large Business Interruption Loan Scheme, for £3.5m over a term of two years. There is a financial covenant required as part of this facility and the group is able to demonstrate in the base case and all scenarios that there is adequate headroom.

In conclusion, the Directors are confident that the group and the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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**Future developments**

The directors of the group are committed to the development, growth and value creation of the group both through internal and external opportunities. Whilst it is expected that performance during the next six months will be limited in opportunity, it has already established a strong new business pipeline and the strength of the group's reputation has allowed already the award of several new contracts post year end.

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, Asia and UK geographies.

The formal establishment of the customer partnerships in USA, Canada and Asia will be of significant benefit to the group and will be a significant focus of the Board and the business development strategy during the next year. These partnerships will provide access to new markets, new technology and new products and their corresponding supply chains. The already enacted establishment of a local business development presence in Asia will also provide further support in these partnerships whilst solidifying the current pipeline of opportunity.

The recruitment of experienced management based in China and Japan will be completed by mid-year giving improved global coverage. The well-established Nasmyth India, together with its partnership network already in place in India and Philippines, will be used to offer low cost sourcing and engineering solutions to external customers. This is already well underway and was commenced by the appointment of a new General Manager to cover all elements of Asia. Positive results are already being experienced.

Following the UK's new attitude to Europe, the effect of Brexit (31 January 2020), on the UK economy and ways of working remains unclear; however the group has assessed the spread of its customer base, diversity of products and technologies, and the supply chain, and following the assessment the group does not see any immediate or significant risks or changes to its operation. The Board will continue to monitor the situation and developments and has recently established an increased presence in Toulouse to help insure good relationships with future European customers.

Cyber risk will be a continued focus during the next year and the group will be moving towards achieving the levels required for the government backed Cyber Essentials scheme in the next 12 months, however one facility has already achieved this level and status. The Board recognise the importance of this for its own protection but also the increasing requirements of its customers globally and the new ways of working post COVID-19.

The Nasmyth Board fully understand the importance of the community and the environment in which the group operates 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. These have included volunteering to the emergency services and matching funds raised by employees for these worthy causes.

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**Principal Risks and Uncertainties**

The Nasmyth Board assesses and manages any risk to the group as part of the monthly group Board meeting. Where a risk arises, it is dealt with quickly and appropriately with the use of appropriate specialists and advisors to the Board. Risks at a 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.

This Board process is supported through the senior management and operating site management discussing risks as part of the annual budget process and are subject to further frequent management and Board level reviews. These are followed up as appropriate throughout the year and always as part of the formal ongoing forecast reviews. The management team at each business and operating site is responsible for implementing and controlling risk mitigation and its effectiveness on a day-to-day basis.

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

No.	Risk Title	Risk Rating	Impact drivers of risk
1.	Economic and Political	Medium	COVID-19   Brexit & Trade Tariffs   Government priorities and spending
2.	Commercial and Delivery	Medium	Market & Order book   COVID-19   Customer contracts & Partnerships   Product diversification
3.	Technology	Medium	Technology differentiator   Investment funding
4.	Information security and cyber threats	Medium	Personal data   Military controlled information   Civil Aerospace design   Remote access
5.	Foreign exchange	Medium	Exposure to volatile exchange rates
6.	Catastrophic incident	Low	Aerospace Terrorism, Aerospace safety incident

**Risk 1 - Economic & Political**

The group has facilities in the UK, North America and Asia and as a result can be affected by the global economic conditions in respect to specific government spending priorities and their willingness to commit substantial resources. The current global economic and financial market conditions, together with the indicative prolonged recession, may affect the group's operational performance and financial condition in the short to medium term. A prolonged recession may result in customers terminating existing orders, adjusted inventories and / or reducing the levels of orders and suppliers may be unable to meet their commitments or change their credit terms with the group. The senior executives of the group participate on a number of government related committees and industry backed specialist group's and is therefore well placed to assess early on trends and information that may impact the Nasmyth business.

The UK left the EU on 31 January 2020 and there continues to be uncertainty in the UK regarding the future trading relationship with the EU and other international trading partners with which the UK intends to establish new terms on which to trade. It is uncertain what this will mean following the expiry of the Brexit transitional period on 31 December 2020. The long-term impact of Brexit is not isolated as a risk as Nasmyth believes that it is relatively protected as the majority of suppliers and customers are UK or North America based and it is only

**NASMYTH GROUP LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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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 also 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 and furthermore its contracting is based mainly on ex-works therefore any transportation costs would be borne by the customer.

The COVID-19 pandemic has had a significant impact on the global economy and all industries and is a risk across all businesses in the Nasmyth group. As previously stated, the Board has enacted several mitigation activities to ensure that liquidity and safety of the group and is strategically protected given its balance of Civil Aerospace versus Military Aerospace, Land and Sea and other markets. The situation continues to be closely monitored by all individual companies within the group and at a Board level through its specialist rapid response virtual teams.

**Risk 2 – Commercial and Delivery**

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, quality performance guarantees required and the future customer demand and order book which in turn leads to a change in, or renewals of, contracts and purchase orders. 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 specific partnership agreements) and has in place several long-term agreements across its product portfolio. The group's Zero defects programme assists in ensuring continual high standards of quality and delivery performance. As a result of the COVID-19 pandemic, the group is monitoring the forward order book at a business level on a regular basis, normally between senior management and their customers, and where there are significant changes, the Board is ensuring that the cost base and size of the facility is appropriate to meet the future needs and demands of the business.

**Risk 3 - Technology**

Technology remains a key focus for the group and it has embarked on the development of a technology road map. In order to mitigate the risk that the group is unable to maintain its differentiation in technology due to incorrect focus or customer changes, the group has appointed an advisor to the Chairman and Chief Executive Officer, who has specific engineering expertise in the sector. A further risk for the group is that 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.

**NASMYTH GROUP LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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

Information security and dealing with cyber threats are an increasing priority across all industries and remain a key UK government agenda item. Like many businesses, 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. As a result of the COVID-19 pandemic, there is an increasing number of employees working remotely from their normal base and more meetings and business transactions are being undertaken virtually. Each site in the group maintains its own network and is safeguarded with appropriate firewalls and monitoring software and requires VPN access for all remote network access and furthermore, has procedures in place to detect fraud around the group. All virtual meetings are protected by encryption and are password protected. There is a heightened emphasis and across all group companies of potential cyber fraud and this is closely monitored and reported (where necessary). The group continues to maintain GDPR procedures as required.

**Risk 5 - Foreign exchange**

Due to the global nature of the operations and markets in which the group operates, the volatility in the foreign exchange markets, exchange rate fluctuations have, and could continue to have, a material impact on the reported results of the group. The group primarily is exposed to two risks, transactional and translation risk (on the net assets). Exposure is monitored and the group uses, where possible, natural hedges for USD and during the year, has implemented a policy to protect against exchange risk which affects cash, by the use of financial instruments.

**Risk 6 – Catastrophic Aerospace 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.

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 group 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.

During the COVID-19 pandemic, the group has enhanced its communication to employees and updated its policy and working practices accordingly to ensure that the performance of the group is not affected and employee awareness and safety is enhanced.

**NASMYTH GROUP LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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**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. 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 and elsewhere in the world, operations and senior management are managed by the Group Chief Executive Officer.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'P Smith', written in a cursive style.

P Smith - Director

Date:

**NASMYTH GROUP LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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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 2020.

**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 2020 was £450,000 (2019: £630,000).

**Research & Development**

Research and development expenditure is expensed as it is incurred. The group incurred expenditure of £3,750,000 (2019: £5,462,000) during the year.

**Directors**

The directors shown below have held office during the whole of the period from 1 February 2019 to the date of this report.

P Smith  
S Beech  
P Jones

R Soen was appointed on 1 June 2019 and resigned on 20 June 2020.

**Political donations and expenditure**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the 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 (Page 2 to Page 15) information required to be stated in the directors' report including a review of business and principal risks and uncertainties.

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 11.

**NASMYTH GROUP LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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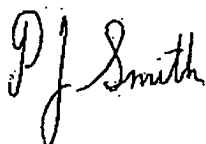
**Statement as to disclosure of Information to Auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that [he/ she] ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

**ON BEHALF OF THE BOARD**

A handwritten signature in black ink, appearing to read 'P Smith', written in a cursive style.

**P Smith – Director**

**Date:**

**NASMYTH GROUP LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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The directors are responsible for preparing the Strategic Report and 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 United Kingdom and the 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.

**NASMYTH GROUP LIMITED**  
**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 2020, which comprise the Consolidated statement of profit and loss and other comprehensive income, Consolidated and Company balance sheets, Consolidated statement of changes in equity, Consolidated cash flow statement and related notes, including the accounting policies in note 1.

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 2020 and of the group's 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.

**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 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.

**NASMYTH GROUP LIMITED**  
**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 18, 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).

**NASMYTH GROUP LIMITED**  
**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 (Senior Statutory Auditor)**

For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
MK9 1BP

Date: .....

**NASMYTH GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER**  
**COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**31 JANUARY 2020**

	Notes	2020 £'000	2019 £'000
<b>TURNOVER</b>			
Group and share of joint venture and associate		84,608	81,668
Less			
Share of joint ventures turnover		-	(2,035)
Share of associates turnover		-	(780)
<b>GROUP TURNOVER</b>	4	<b>84,608</b>	<b>78,853</b>
Cost of sales		(68,953)	(64,456)
<b>GROSS PROFIT</b>		<b>15,655</b>	<b>14,397</b>
Administrative expenses		(12,634)	(11,872)
		<b>3,021</b>	<b>2,525</b>
Other operating income	6	1,198	722
<b>GROUP OPERATING PROFIT</b>		<b>4,219</b>	<b>3,247</b>
Share of operating profit in:			
Joint venture		-	683
Associates		-	188
		<b>4,219</b>	<b>4,118</b>
Profit on sale of joint venture	9	-	945
Profit on sale of associate	9	-	2,461
<b>Group operating profit before non-recurring expenses</b>		<b>4,219</b>	<b>7,524</b>
Non-recurring expenses	9	(777)	(4,255)
<b>Group operating profit after non-recurring expenses</b>		<b>3,442</b>	<b>3,269</b>
Interest payable and similar expenses	10	(737)	(609)
<b>PROFIT BEFORE TAXATION</b>		<b>2,705</b>	<b>2,660</b>
Tax on profit	10	(1,118)	(1,120)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,587</b>	<b>1,540</b>

The accompanying 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 2020**

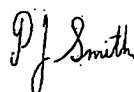
	2020 £'000	2019 £'000
<b>PROFIT FOR THE FINANCIAL YEAR</b>	1,587	1,540
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain / (loss) on translation reserve	257	(405)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<u>257</u>	<u>(405)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>1,844</u>	<u>1,135</u>
Profit attributable to:		
Owners of the parent	<u>1,844</u>	<u>1,540</u>
Total comprehensive income attributable to:		
Owners of the parent	<u>1,844</u>	<u>1,135</u>

The accompanying notes form part of these financial statements

**NASMYTH GROUP LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**31 JANUARY 2020**

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
<b>Intangibles</b>					
Goodwill	12	4,308		4,979	
Negative Goodwill	12	(728)		(822)	
Net goodwill		<u>3,580</u>		<u>4,157</u>	
Other intangibles	12	240		-	
			3,820		4,157
Tangible assets	13		<u>21,846</u>		<u>20,389</u>
			25,666		24,546
<b>CURRENT ASSETS</b>					
Stocks	16	13,887		11,961	
Debtors	17	23,481		23,844	
Cash at bank and in hand		<u>2,333</u>		<u>6,309</u>	
		39,701		42,114	
<b>CREDITORS</b>					
Amounts falling due within one year	18	<u>(22,240)</u>		<u>(22,611)</u>	
<b>NET CURRENT ASSETS</b>			<u>17,461</u>		<u>19,503</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			43,127		44,049
<b>CREDITORS</b>					
Amounts falling due after more than one year	19		(20,844)		(23,298)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax liability	22		(415)		(277)
Other provisions	22		<u>(212)</u>		<u>(212)</u>
<b>NET ASSETS</b>			<u>21,656</u>		<u>20,262</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	25		156		156
Share premium	26		72		72
Translation reserve	26		(284)		(541)
Retained earnings	26		<u>21,712</u>		<u>20,575</u>
			21,656		20,262

The financial statements were approved by the Board of Directors on 27 November 2020 and were signed on its behalf by:



P Smith – Director

The accompanying notes form part of these financial statements.

**NASMYTH GROUP LIMITED**  
**COMPANY BALANCE SHEET**  
**31 JANUARY 2020**

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	14		106		21
Investments	15		7,179		7,179
			<u>7,285</u>		<u>7,200</u>
<b>CURRENT ASSETS</b>					
Debtors within one year	17	4,839		34,203	
Debtors due after more than one year	17	35,573		902	
Total Debtors	17	40,412		35,105	
Cash at bank and in hand		337		3,490	
		<u>40,749</u>		<u>38,595</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	18	(16,579)		(16,838)	
<b>NET CURRENT ASSETS</b>			<u>24,170</u>		<u>21,757</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>31,455</u>		<u>28,957</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	19	(441)		(1,319)	
<b>Provisions for liabilities</b>					
Deferred tax liability	22	(10)		-	
<b>NET ASSETS</b>			<u>31,004</u>		<u>27,638</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	25	156		156	
Share premium	26	72		72	
Retained earnings	26	30,776		27,410	
		<u>31,004</u>		<u>27,638</u>	
Company's profit for the financial year			<u>3,816</u>		<u>9,594</u>

The financial statements were approved by the Board of Directors on 27 November 2020 and were signed on its behalf by:



P Smith – Director

The accompanying notes form part of these financial statements.

**NASMYTH GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Translation reserve £'000	Total equity £'000
<b>Balance at 1 February 2018</b>	156	19,665	72	(136)	19,757
<b>Total comprehensive income for the period</b>					
Profit for the financial year	-	1,540	-	-	1,540
Other comprehensive income	-	-	-	(405)	(405)
<b>Total comprehensive income</b>	-	1,540	-	(405)	1,135
<b>Transactions with owners, recorded directly in equity</b>					
Dividends	-	(630)	-	-	(630)
<b>Total contributions by and distributions to owners</b>	-	(630)	-	-	(630)
<b>Balance at 31 January 2019</b>	156	20,575	72	(541)	20,262
<b>Total comprehensive income for the period</b>					
Profit for the financial year	-	1,587	-	-	1,587
Other comprehensive income	-	-	-	257	257
<b>Total comprehensive income</b>	-	1,587	-	257	1,844
<b>Transactions with owners, recorded directly in equity</b>					
Dividends	-	(450)	-	-	(450)
<b>Total contributions by and distributions to owners</b>	-	(450)	-	-	(450)
<b>Balance at 31 January 2020</b>	156	21,712	72	(284)	21,656

The accompanying notes form part of these financial statements

**NASMYTH GROUP LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

	Notes	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	a	3,283	(10,617)
Interest paid	9	(737)	(460)
Tax paid		(452)	(265)
Net cash inflow / (outflow) from operating activities		<u>2,094</u>	<u>(11,342)</u>
<b>Cash flows from investing activities</b>			
Acquisition of intangible fixed assets	13	(300)	-
Acquisition of tangible fixed assets	14	(3,320)	(5,913)
Sale of tangible fixed assets		15	30
Sale of fixed asset investments		-	4,937
Acquisition of subsidiary		-	(2,132)
Cash from acquisition		-	294
Dividends received		-	1,217
Net cash outflow from investing activities		<u>(3,605)</u>	<u>(1,567)</u>
<b>Cash flows from financing activities</b>			
New loans in the year	c	500	20,505
Repayment of borrowings	c	(2,341)	(5,880)
Repayment of finance lease liabilities	c	(2,147)	(1,186)
Proceeds from new finance leases	c	1,888	2,884
Equity dividends paid	11	(450)	(630)
Net cash (outflow) / inflow from financing activities		<u>(2,550)</u>	<u>15,693</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(4,061)</u>	<u>2,784</u>
<b>Cash and cash equivalents at beginning of the year</b>	b	6,309	4,074
Effect of foreign exchange rate changes		85	(549)
<b>Cash and cash equivalents at end of year</b>	b	<u>2,333</u>	<u>6,309</u>

The accompanying notes form part of these financial statements

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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

	Notes	2020 £'000	2019 £'000
Profit for the financial year		1,587	1,540
Depreciation & amortisation charges	7	2,660	2,975
Profit on disposal of fixed assets		-	(10)
Operating profit share of joint ventures & associate		-	(871)
Profit from disposal of investments		-	(3,406)
Interest payable and similar expenses	9	737	609
Taxation	10	1,118	1,120
		<u>6,102</u>	<u>1,957</u>
Increase in stocks		(1,926)	(506)
Decrease / (Increase) in trade and other debtors		363	(5,795)
Decrease in trade and other creditors		(1,256)	(6,273)
<b>Cash generated from operations</b>		<u><u>3,283</u></u>	<u><u>(10,617)</u></u>

**b. 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 2020**

	2020 £'000	2019 £'000
Cash at bank and in hand	<u>2,333</u>	<u>6,309</u>

**c. ANALYSIS OF CHANGES IN NET DEBT**

	2019 £'000	Cash flow £'000	Non-cash movements £'000	2020 £'000
<b>Net cash – cash at bank</b>	<u>6,309</u>	<u>(4,061)</u>	<u>85</u>	<u>2,333</u>
<b>Debt</b>				
Finance lease	(5,101)	259		(4,842)
Debts falling due within 1 year	(1,080)	-	(111)	(1,191)
Debts falling due after more than 1 year	(19,425)	1,841	111	(17,473)
	<u>(19,297)</u>	<u>(1,961)</u>	<u>85</u>	<u>(21,173)</u>

The accompanying notes form part of these financial statements

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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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" ("*FRS102*") 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**

Post the year end, the COVID-19 pandemic has had a significant impact on the global economy and as a result, all industries and services have been and continue to be severely affected. The Civil Aerospace market has experienced a significant decline which is expected to recover, albeit at a slow rate, and will impact volumes in the short to medium term. Offsetting this decline is our stable and improving Military Aerospace, Military Land and Sea, Defence, Space and Medical markets which the group is benefitting from during this crisis. The Nasmyth Board continue to have confidence in all markets during the current emergency and unprecedented period of change. Nasmyth, as a group, reacted efficiently and effectively to the pandemic at an early stage and established a specialist rapid response virtual team which incorporated both internal and external expertise to focus across all areas of the business, in particular managing cashflow. The Board uses the guidance from these virtual teams to ensure the financial stability and operational success of the group on a go forward basis and is the principle of the scenario planning undertaken.

The Directors have assessed the short and medium-term outlook through detailed forecasts and scenario planning which demonstrates a long-term viability of the business due to the balanced portfolio of the group between Civil Aerospace and Military Aerospace, Defence, Military Land and Sea and Medical. The Directors have prepared cash flow forecasts for a period 14 months from the date of the approval of these financial statements which indicate that, taking account of reasonable possible downsides and anticipated impact of COVID-19 on the operations and its financial resources, the Group and the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors have established a reasonable expected base case scenario which is considered to be the most robust and likely scenario. The key assumptions within this scenario are detailed as follows. The latest customer provided schedules, order books, purchase orders and/or known orders have been used as the base for the forward look on sales. These schedules reflect the rapid reduction in the Civil Aerospace market volumes and are considered to be, as a minimum, flat on a go forward basis and is consistent with market expectations. Other markets in which the group operates, including the Military and Defence sectors, are increasing and this has been reflected in the forward forecast. The group has been successful, during the COVID-19 pandemic, of being awarded new business and the benefit of this has been included as per the terms of the contracts awarded. The group has managed its net cost base and has taken significant steps in reducing this which includes hours and pay changes, suspension of dividends and bonuses, headcount reduction and it has in doing this, utilised fully the UK Government Furlough scheme and latterly a redundancy programme. The future benefits of all of this are included within the forecast.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. ACCOUNTING POLICIES - continued**

**Going concern - continued**

The group expects there to be a tightening of working capital and has therefore considered in detail, and provisioned for, this as part of its forecast including additional in month funding requirements. The group halted all non-critical capital expenditure programmes and negotiated appropriate payment holidays with its capital finance providers, in line with the industry as a whole. Where possible, the UK Government VAT deferral and PAYE time to pay schemes have been utilised at each company and agreement plans put in place.

Several plausible and remote downsides have been considered by the Directors to stress test the reasonable expected base case. Whilst considered unlikely or remote, a further sales reduction has been applied in financial year 2021/22 which would reduce the profit and cashflow of the group. Further significant reductions in working capital and detrimental timing of cashflow has been modelled which would impact adversely on the liquidity of the group and have been considered as a downside. Notwithstanding these plausible and remote downsides which could result in a severe but plausible downside case, this does not alter the Directors conclusion on Going Concern.

The group has identified several mitigation projects and/or actions that are either in progress or could be utilised should there be further significant and unexpected changes in the market, with those in progress included in the scenarios above. The group has a plan to right size the business and is reviewing a potential re-alignment of its operating facilities in the longer term. Whilst the group has already taken action to amend certain hours and reduce the employee cost, it has a further mitigation available to it which would further reduce total employee costs by up to 10%.

Where additional funding requirements were identified throughout the 12 months forecast, these have been mitigated through the financing put in place as identified below.

The safety of our employees remains a key priority and the group has enacted all social distancing requirements across its global facilities and will continue to operate in this manner for the foreseeable future, however, we will constantly assess this in line with health and government guidelines. The cost of doing and maintaining this is included within the reasonable expected base case.

Post year end, the group commenced its normal discussions with its finance provider Wells Fargo Capital Finance (UK) Limited to renew and extend its existing borrowing facility. As a result of the COVID-19 pandemic this discussion was accelerated. The group, in October 2020, has agreed an amended and restated facility on the existing terms save for an extension of the facility renewal date to December 2022 and a revision of the financial covenants applicable for the period. The group is able to demonstrate adequate headroom within all scenarios and downsides outlined above in the required financial covenants. The facility remains secured on the assets of the business. In addition to the Wells Fargo facility, the group secured in October 2020 a revolving credit facility with Barclays Bank PLC, under the Government's Corona Virus Large Business Interruption Loan Scheme, for £3.5m over a term of two years. There is a financial covenant required as part of this facility and the group is able to demonstrate in the base case and all scenarios that there is adequate headroom.

In conclusion, the Directors are confident that the group and the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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**Financial Reporting Standard 102 – reduced disclosure exemptions**

In these financial statements, the company is considered to be a qualifying entity 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.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 January 2020. A subsidiary is an entity that is controlled by the parent. The results of the 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 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.

When a group company is party to a joint venture which is not an entity that company accounts 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.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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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 company has two principal revenue streams:

(i) Sales of product

Turnover for sales of goods and services 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 the 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 revenues are calculated based on the estimated transaction price and expected total costs, with considerations made for the associated contract costs.

**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
- the estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- the 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 2020**

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**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 group's 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 is incurred.

**(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.

**(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
- Intellectual property 5 years

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

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

The group and company review the amortisation period and method when events and circumstances indicate that the useful economic 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 2020**

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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, for example land is treated separately from buildings.

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 assets 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 the 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 statement of other comprehensive income over the period of the lease. All other leases are regarded as operating leases and 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 (including those under finance leases) 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 economic 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 & Machinery 7 – 12 years
- Fixtures & fittings 3 – 5 years
- Motor vehicles 3 – 7 years

Depreciation methods, useful economic lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the group 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 2020**

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**2. ACCOUNTING POLICIES - continued**

**Taxation**

Tax on 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 income 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 the 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, 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 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 the balance sheet 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 currency 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 2020**

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**3. ACCOUNTING POLICIES – continued**

**Defined contribution plans**

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 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 instruments 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 and creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at the 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 the 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 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.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. ACCOUNTING POLICIES - continued**

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on a 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.

**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 purposes 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 group of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to individual CGUs or group's 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 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 and 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 or 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.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. ACCOUNTING POLICIES - continued**

**Impairment excluding stocks and deferred tax assets - continued**

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, if no impairment loss had been recognised.

**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 reasonably 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 payment under the guarantee.

**Operating Lease**

Payment (excluding costs for services and insurance) made under operating leases are recognised in 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.

Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

**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 payment 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 2020**

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**4. 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 group'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, condition 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.

**Contract cost to complete**

In determining the Sales and attributable profit recognised in the financial statements of the group, the directors have to make judgement as to the level of completeness of each project against contract price. In determining this level of completeness, the directors have looked forward to consider the final cost and requirements to complete the project based on latest estimates. This methodology is applied consistently across all projects.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**5. TURNOVER**

An analysis of turnover by geographical market is given below:	2020 £'000	2019 £'000
United Kingdom	60,176	54,954
Europe	8,610	9,093
Asia	3,826	4,328
North America	11,768	10,264
Other	228	214
	<u>84,608</u>	<u>78,853</u>

An analysis of turnover by activity is given below:	2020 £'000	2019 £'000
Sale of product	82,388	77,289
Contract accounting revenue	2,220	1,564
	<u>84,608</u>	<u>78,853</u>

**6. OTHER OPERATING INCOME**

	2020 £'000	2019 £'000
Business interruption claim	599	137
Research & Development tax credits	570	547
Other sundry income	29	38
	<u>1,198</u>	<u>722</u>

The business interruption claim £599,000 (2019: £137,000) relates to a fire on 4<sup>th</sup> January 2019. A subsidiary based in the UK, Nasmyth West Middlesex Limited, experienced a small fire in the main building which caused damage to the building and capital equipment and immediately halted the operational ability of the business. Operations recommenced in May 2019 and the insurance business interruption claim reported in other operating income included a contribution towards operating costs during the shutdown and recovery period. The facility is now operating fully and effectively.

Other operating income includes £570,000 (2019: 547,000) of Research and development credits, of which £120,000 (2019: £Nil) relates to the previous financial year.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**7. EMPLOYEES AND DIRECTORS**

	2020 £'000	2019 £'000
Wages and salaries	27,530	26,320
Social security costs	2,593	2,522
Contributions to defined contributions plans	806	676
	<b>30,929</b>	<b>29,518</b>
The average number of employees during the year was as follows:	<b>2020</b>	<b>2019</b>
Sales, distribution and administration	229	192
Production	562	592
	<b>791</b>	<b>784</b>
<b>Directors' remuneration</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments for qualifying services	1,142	870
Contributions to money purchase pension schemes	10	15
	<b>1,195</b>	<b>885</b>
The number of directors to whom retirement benefits were accruing was as follows:	<b>2020</b>	<b>2019</b>
Money purchase schemes	1	1
The emoluments of the highest paid director were as follows:	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments for qualifying services	429	347
Contributions to money purchase pension schemes	10	-

Total compensation of key management personnel (including the directors) in the year amounted to £1,195,000 (2019: £885,000).

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**8. Expenses and auditors' remuneration**

	2020 £'000	2019 £'000
Research and development expensed as incurred	3,750	4,889
Depreciation – owned assets	1,185	1,531
Depreciation – assets held under finance lease or hire purchase contracts	833	716
Amortisation	642	728
Profit on disposal of fixed assets	(13)	10
Operating lease expenses	589	1,575
Foreign exchange losses / (gains)	(606)	76
<b>Auditors' remuneration</b>		
Audit of these financial statements	40	41
Audit of financial statements of subsidiaries of the company	105	83
Taxation compliance services	50	48
Other taxation services	50	-

**9. NON-RECURRING TRANSACTIONS**

	2020 £'000	2019 £'000
Non- operating expenses	(777)	(4,255)
Profit on disposal of joint venture and associates	-	3,406
	(777)	(849)

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

**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020 £'000	2019 £'000
Bank Interest	546	141
Other interest	50	319
Hire purchase interest	141	149
	737	609

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**11. TAXATION**

<b>Analysis of the tax charge:</b>	<b>2020</b>	<b>2019</b>
The tax charge on the profit for the year was as follows:		
	<b>£'000</b>	<b>£'000</b>
Current tax:		
UK corporation tax	944	1,029
Prior year adjustments	37	(45)
Total current tax	<u>981</u>	<u>984</u>
Deferred tax:		
Deferred taxation		
Timing differences	156	33
Prior year adjustments	(19)	103
Total deferred tax	<u>137</u>	<u>136</u>
Tax on profit	<u>1,118</u>	<u>1,120</u>

**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:	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	<u>2,705</u>	<u>2,660</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019:19%)	514	505
Effects of:		
Income not deductible for tax purposes	547	570
Depreciation in excess of capital allowances	33	114
Adjustments to tax charge in respect of previous periods	24	121
Research and development expenditure	-	(15)
Impact of rate differences between deferred and current tax	-	(211)
Net expenses not deductible for tax purposes	-	36
Total tax charge	<u>1,118</u>	<u>1,120</u>

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

	<b>2020</b>		
	<b>Gross</b>	<b>Tax</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gain on translation reserve	<u>257</u>	<u>-</u>	<u>257</u>
	<b>2019</b>		
	<b>Gross</b>	<b>Tax</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loss on translation reserve	<u>(405)</u>	<u>-</u>	<u>(405)</u>

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

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/ liability as at 31 January 2020 has been calculated based on this rate. The March 2020 budget announced that the rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future tax charge accordingly

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**10. 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.

**11. DIVIDENDS**

	2020 £'000	2019 £'000
Ordinary shares of 25p and £1 each Interim and paid	450	630

**12. INTANGIBLE FIXED ASSETS**

Group	Goodwill £'000	Negative goodwill £'000	Other intangibles £'000	Total £'000
<b>COST</b>				
At 1 February 2019	7,637	(5,053)	580	3,164
Additions	-	-	300	300
Exchange differences	5	-	-	5
At 31 January 2020	7,642	(5,053)	880	3,469
<b>AMORTISATION</b>				
At 1 February 2019	(2,658)	4,231	(580)	993
Amortisation charge	(676)	94	(60)	(642)
Exchange differences	-	-	-	-
At 31 January 2020	(3,334)	4,325	(640)	351
<b>NET BOOK VALUE</b>				
At 31 January 2020	4,308	(728)	240	3,820
At 31 January 2019	4,979	(822)	-	4,157

Intangibles represent customers relations acquired as part of the acquisition of Nasmyth TMF, Inc. in July 2014 and technical know-how acquired by Nasmyth IEC in January 2019.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**13. TANGIBLE FIXED ASSETS**

Group	Freehold property £'000	Short leasehold £'000	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
<b>COST</b>						
At 1 February 2019	8,207	221	22,248	2,269	38	32,983
Additions	181	18	2,740	381	-	3,320
Disposals	-	-	(83)	(14)	(9)	(106)
Acquired through business combinations	-	-	-	-	-	-
Exchange differences	2	-	161	3	-	166
At 31 January 2020	<u>8,390</u>	<u>239</u>	<u>25,066</u>	<u>2,639</u>	<u>29</u>	<u>36,363</u>
<b>DEPRECIATION</b>						
At 1 February 2019	(1,457)	(21)	(9,431)	(1,652)	(33)	(12,594)
Charge for the year	(105)	(42)	(1,622)	(244)	(5)	(2,018)
Eliminated on disposal	-	-	68	14	9	91
Exchange differences	-	-	2	2	-	4
At 31 January 2020	<u>(1,562)</u>	<u>(63)</u>	<u>(10,983)</u>	<u>(1,880)</u>	<u>(29)</u>	<u>(14,517)</u>
<b>NET BOOK VALUE</b>						
At 31 January 2020	<u>6,828</u>	<u>176</u>	<u>14,083</u>	<u>759</u>	<u>-</u>	<u>21,846</u>
At 31 January 2019	<u>6,750</u>	<u>200</u>	<u>12,817</u>	<u>617</u>	<u>5</u>	<u>20,389</u>

Included in the total net book value of plant & machinery is £7,901,000 (2019: £7,394,000) in respect of assets held under finance lease and similar hire purchase contracts. Depreciation for the year on these assets was £824,000 (2019: £709,000). (See note 21). Included in the total net book value of fixtures and fittings is £41,000 (2019: £23,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year in respect of these assets was £9,000 (2019: £7,000).

Included in land and buildings is freehold land of £2,833,000 (2019: £2,833,000) which is not being depreciated. The freehold property of £6,828,000 (2019: £6,750,000) is pledged as security against the property loan of £1,454,000 (2019: £1,454,000) and the cash flow loan of £1,250,000 (2019: £2,152,000) (see note 20).

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**14. TANGIBLE FIXED ASSETS – continued**

<b>Company</b>	<b>Fixtures and Fittings £'000</b>
<b>COST</b>	
At 1 February 2019	70
Additions	103
Disposals	(14)
Exchange differences	-
	<hr/>
At 31 January 2020	159
<b>AMORTISATION</b>	
At 1 February 2019	(49)
Charge for the year	(18)
Eliminated on disposal	14
Exchange differences	-
	<hr/>
At 31 January 2020	(53)
<b>NET BOOK VALUE</b>	
At 31 January 2020	106
At 31 January 2019	21

**15. FIXED ASSET INVESTMENTS**

<b>Company</b>	<b>Shares in group undertakings £'000</b>
<b>COST</b>	
At 1 February 2019	7,179
Additions	-
Exchange differences	-
	<hr/>
At 31 January 2020	7,179
<b>Provision</b>	
At 1 February 2019	-
Charge for the year	-
Exchange differences	-
	<hr/>
At 31 January 2020	-
<b>NET BOOK VALUE</b>	
At 31 January 2020	7,179
At 31 January 2019	7,179

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**15. FIXED ASSET INVESTMENTS - continued**

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

Subsidiary	Registered Office	Country of incorporation	Principal activity
<b>The company own 100% of the Ordinary share capital of the following entities:</b>			
GEB Surface Treatments Limited	1	England & Wales	Surface treatments
Nasmyth Bulwell Limited	1	England & Wales	Manufacture of precision machined components
C&M 2016 Limited	1	England & Wales	Dormant
Nasmyth Composites 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 Engineering Limited	1	England & Wales	Dormant
Nasmyth Enterprises Limited	1	England & Wales	Asset holding company
Nasmyth Henton Limited	1	England & Wales	Manufacture of precision machined components
Nasmyth IEC Limited	1	England & Wales	Manufacture of precision machined components
Nasmyth Industries Limited	1	England & Wales	Holding company
Nasmyth Technologies Limited	1	England & Wales	Manufacture of precision machined components
Nasmyth West Middlesex Limited	1	England & Wales	Surface treatments
Professional Welding Services Limited	1	England & Wales	Dormant
West Middlesex Plating Company Limited	1	England & Wales	Dormant
<b>Subsidiaries of the company own 100% of the Ordinary shares of the following entities</b>			
Excel Calibration & Test Limited	1	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	2	India	
Nasmyth Industrial Holdings, Inc.	1	USA	Holding company
Nasmyth Precision Products, Inc	1	USA	
Nasmyth TMF, Inc	1	USA	Surface Treatments
Swift & Wass Limited	1	England & Wales	Dormant

1 – Registered office is Nasmyth House Coventry Road Coventry CV7 9FT

2 – Registered office is 62/1 Palace Road, Vasanthnagar, Bengaluru, Bangalore, KA560052, India.

**NASMYTH GROUP LIMITED**  
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**16. STOCKS**

	2020 £'000	2019 £'000
Raw materials and consumables	1,862	2,366
Work-in-progress	9,237	7,196
Finished goods	2,788	2,399
	<u>13,887</u>	<u>11,961</u>

**Company**

The company does not hold any stock.

**17. DEBTORS**

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	19,285	20,181	-	-
Amounts owed by group undertakings	-	-	4,358	33,783
Other debtors	135	775	-	16
Deferred consideration	450	600	-	-
Deferred tax asset	-	-	-	8
Amounts recoverable on contracts	2,081	1,260	-	-
Prepayments	1,530	1,028	481	396
	<u>23,481</u>	<u>23,844</u>	<u>4,839</u>	<u>34,203</u>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by group undertakings	-	-	35,573	902
<b>Total Debtors</b>	<u>23,481</u>	<u>23,844</u>	<u>40,412</u>	<u>35,105</u>

Amounts owed by group undertakings - £29,450,000 has been reclassified from short term receivables in line with the intercompany loan agreements signed on 31 January 2020. Interest is charged at a fixed rate of 5% per annum, which is in line with the market rate of interest.

Deferred consideration of £450,000 (2019: £600,000) relates to the sale of Metal Processing Systems Limited in 2018. £150,000 of the deferred consideration is payable within one year and the balance after more than one year in equal instalments.

The trade debtors are part of the secured gross collateral of the Wells Fargo facility as detailed in note 20.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank Loans and overdrafts (see note 20)	1,191	1,080	833	833
Finance leases (see note 21)	1,616	1,380	10	-
Trade creditors	11,475	10,422	156	126
Amounts owed to group undertakings	-	-	14,688	14,004
Taxation	458	721	218	675
Social security and other taxes	2,091	1,962	223	283
Other creditors	1,642	381	86	21
Accruals and deferred income	3,767	6,665	365	896
	<b>22,240</b>	<b>22,611</b>	<b>16,579</b>	<b>16,838</b>

In line with the terms of the financing facility provided by Wells Fargo Capital (UK) Limited to the group, the debt, which is secured on the assets of the group, is not repayable on demand and is therefore classified as greater than one year (Note 20).

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

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank Loans and overdrafts (see note 20)	17,473	19,425	417	1,319
Finance leases (see note 21)	3,226	3,721	24	-
Deferred consideration	-	152	-	-
Accruals & deferred income	145	-	-	-
	<b>20,844</b>	<b>23,298</b>	<b>441</b>	<b>1,319</b>

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

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**20. LOANS**

An analysis of the maturity of loans is given below:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank Loans				
Amounts falling due within one year	1,191	1,080	833	833
Amounts falling due between two and five years	17,473	19,425	417	1,319
	<u>18,664</u>	<u>20,505</u>	<u>1,250</u>	<u>2,152</u>

The group has a financing facility in place with Wells Fargo Capital (UK) Limited. The facility is secured based upon the gross collateral of the group receivables, plant and equipment and property of the group and has a fixed charge over such assets. The facility is not repayable on demand and is repayable at the end of the current term facility agreement date. 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	2020	2019
				£'000	£'000
Revolving credit facility	LIBOR + 1.75%	Revolving	Monthly	15,298	15,903
Equipment loan	LIBOR + 2.25%	2021	Monthly	662	996
Property loan	LIBOR + 2.25%	2021	Monthly	1,454	1,454
Cashflow loan	LIBOR + 3.50%	2021	Monthly	1,250	2,152
<b>Company</b>	<b>Nominal interest rate</b>	<b>Year of Maturity</b>	<b>Repayment schedule</b>	<b>2020</b>	<b>2019</b>
				<b>£'000</b>	<b>£'000</b>
Cashflow loan	LIBOR + 3.50%	2021	Monthly	1,250	2,152

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**21. LEASING AGREEMENTS**

Minimum lease payments fall due as follows

Finance leases	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net obligations repayable:				
Within one year	1,616	1,380	10	-
Between one and five years	3,226	3,721	24	-
	<u>4,842</u>	<u>5,101</u>	<u>34</u>	<u>-</u>
<b>Non-cancellable operating leases</b>				
Within one year	971	1,642	10	31
Between one and five years	823	5,716	21	-
In more than five years	982	596	-	-
	<u>2,776</u>	<u>7,954</u>	<u>31</u>	<u>31</u>

The group has provided guarantees for the net obligations under hire purchase contracts of its subsidiaries which at the yearend amounted to £5,092,000 (2019: £5,101,000)

The finance leases are provided by one lender under the group facility with an average interest rate of approximately 6.00% and a maturity of up to 60 months. Payments are made monthly.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**22. PROVISION FOR LIABILITIES**

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred taxation	415	277	10	(8)
Other provisions	212	212	-	-
<b>Aggregate amounts</b>	<b>627</b>	<b>489</b>	<b>10</b>	<b>(8)</b>

All the deferred tax balance arises from timing differences between depreciation and capital allowances:

	Deferred tax £'000	Other provisions £'000	Deferred tax £'000	Other provisions £'000
Balance at 1 February 2019	277	212	(8)	-
Origination of temporary differences	155	-	19	-
Adjustment in respect of prior periods	(17)	-	-	-
<b>Balance at 31 January 2020</b>	<b>415</b>	<b>212</b>	<b>10</b>	<b>-</b>

Other provisions relate to provision for the lease dilapidations for obligations taken on by the group in the 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. DERIVATIVE FINANCIAL INSTRUMENTS – FORWARD CONTRACTS**

The group implemented a new policy to manage FX and therefore entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 31 January 2020, the outstanding contracts all mature within 12 months (2019: No months) of the year end. The Group is committed to sell US\$1,200,000 (2019: US\$Nil) and receive a fixed sterling amount £908,000 (2019: £Nil).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD. The fair value of the forward-foreign currency contracts is £911,000 (2019: £Nil). The loss recognised in respect of the derivatives is £3,000 (2019: £Nil).

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**24. POST BALANCE SHEET EVENTS**

As detailed in the Strategic Report (page 2), the group and company have considered the impact of COVID-19 and do not consider this to be an adjusting post balance sheet event. The Directors will consider the impact of this in the following period including the impact on carrying value of its Fixed Assets and Inventory.

Post year end, the group commenced its normal discussions with its finance provider Wells Fargo Capital Finance (UK) Limited to renew and extend its existing borrowing facility. As a result of the COVID-19 pandemic this discussion was accelerated. The group, in October 2020, has agreed an amended and restated facility on the existing terms save for an extension of the facility renewal date to December 2022 and a revision of the financial covenants applicable for the period. The group is able to demonstrate adequate headroom room within all scenarios and downsides outlined above in the required financial covenants. The facility remains secured on the assets of the business. In addition to the Wells Fargo facility, the group secured in October 2020 a revolving credit facility with Barclays Bank PLC, under the Government's Corona Virus Large Business Interruption Loan Scheme, for £3.5m over a term of two years. There is a financial covenant required as part of this facility and the group is able to demonstrate in the base case and all scenarios that there is adequate headroom.

**25. CALLED UP SHARE CAPITAL**

				2020	2019
				£'000	£'000
<b>Allotted, called up and fully paid</b>					
480,000	Ordinary A shares of	25p	Each	120	120
72,504	Ordinary B shares of	25p	Each	18	18
37,750	Ordinary C1 shares of	25p	Each	9	9
34,120	Ordinary C2 shares of	25p	Each	9	9
100	Ordinary D shares of	100p	Each	-	-
				<b>156</b>	<b>156</b>

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

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 JANUARY 2020**

**26. RESERVES**

<b>Group</b>	<b>Retained earnings £'000</b>	<b>Share premium £'000</b>	<b>Translation reserve £'000</b>	<b>Total £'000</b>
At 1 February 2019	20,575	72	(541)	20,106
Profit for the year	1,587	-	-	1,587
Dividends	(450)	-	-	(450)
Movement for the year	-	-	257	257
<b>Balance at 31 January 2020</b>	<b>21,712</b>	<b>72</b>	<b>(284)</b>	<b>21,500</b>
<b>Company</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 February 2019	27,410	72	-	27,482
Profit for the year	3,816	-	-	3,816
Dividends	(450)	-	-	(450)
Movement for the year	-	-	-	-
<b>Balance at 31 January 2020</b>	<b>30,776</b>	<b>72</b>	<b>-</b>	<b>30,848</b>

**27. 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 £806,000 (2019: £697,000).

There were outstanding contributions of £137,000 (2019: £136,000) 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 group to the scheme and amounted to £27,000 (2019: £40,000).

There were outstanding contributions of £10,000 (2019: £20,000) at the end of the financial year. These are included in creditors and have been settled since the year end.

**NASMYTH GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**28. CONTINGENCIES AND COMMITMENTS**

**Capital commitments**

At the year end, the group had capital commitments contracted but not provided for in these financial statements of £Nil (2019: £406,000).

**Guarantees**

The company has given cross guarantees in respect of bank loans and overdrafts of the group companies, amounting to £18,664,000 (2019: £20,505,000), which are secured by a fixed and floating charge over the assets of the group.

**29. UTIMATE CONTROLLING PARTY**

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