

Company Registration No. 05509639 (England and Wales)

**MTI WELDING TECHNOLOGIES LTD**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2021**



# MTI WELDING TECHNOLOGIES LTD

## COMPANY INFORMATION

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<b>Directors</b>	D Adams G R Harper II J Borsodi P D Allen R M A Jones
<b>Secretary</b>	R M A Jones
<b>Company number</b>	05509639
<b>Registered office</b>	Building 81 Bays 1&2 First Avenue Pensnett Trading Estate Kingswinford DY6 7FJ
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham West Midlands B2 5AF

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# MTI WELDING TECHNOLOGIES LTD

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present the strategic report for the year ended 31 December 2021.

#### **Fair review of the business**

The principal activity of the group is the manufacture of friction and resistance welding machines, contract welding, and the sale of welding consumables, spare parts, and services.

The group operates worldwide, but sales are primarily in the European, Pan Asian, and the South American markets.

The company has seen good sales growth in both sales of welding machines and contract welding during 2021

#### **Key performance indicators**

Turnover increased 24% following the steady return to business for our customers following shutdowns during Covid-19. Strong demand continued for contract welding in the automotive sector and the development of new joining applications into developing market sectors.

Good progress was made with developing manufacturing efficiencies through the year both at the Kingswinford and Tamworth sites. All product sectors gave an improved margin performance.

Operating Profits increased by £915,048 in the year, to close at £1.48m, as a result of the improved turnover being supported by margin improvement and close attention to operational (administrative) costs.

#### **Finance Key Variations**

Group cash balances improved £1.13m to close at £3.92m.

Stocks increased year on year in line with the increase in activity levels.

#### **Future outlook and key risks and uncertainties**

The group continues to perform well with strong order books going into 2022.

The continuing parts shortage to the automotive sectors may affect turnover growth seen in 2021 however the group remains well placed to continue to improve profitability and generate cash particularly due to the success of product and market developments in 2021. The Groups' trading reviews for 2020 and 2021 to assess the effects of the pandemic and parts shortages on the business and the ongoing strength and stability of the group has left the Group well positioned to protect turnover levels and profits.

The group continues to invest in new technologies, developing opportunities in the Low Force Friction Welding market.

The group continues to work with key market players to ensure it adapts and develops opportunities in growth sectors of electric/hybrid powertrain and aerospace markets.

A risk management process is employed by the directors to regularly review the risks and ensure that the appropriate actions are taken to monitor and mitigate such risks.

# MTI WELDING TECHNOLOGIES LTD

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### Financial Risk Management Policies

The group uses various financial instruments including intercompany loans, intercompany trading accounts, shareholders loans and others such as trade debtors and trade creditors that arise directly from operations. The use of these financial instruments exposes the company to several financial risks which are detailed below.

#### *Liquidity risk*

The group seeks to manage its financial risk by ensuring sufficient liquidity is available to meet foreseeable needs through the financial instruments listed prior.

#### *Cash flow risk*

The company manages this risk by financing its operations through retained profits.

#### *Interest risk*

The group has no external party loans for which interest is charged, all inter group interest is monitored at group level.

#### *Credit risk*

The group's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the customers have high credit ratings assigned by international credit rating institutions. Credit risk is managed by advanced cash payments and monitoring the aggregate amount of exposure to any one debtor depending on their history. The amounts presented in the balance sheet for doubtful debt is estimated by the Group's management based on their prior experience of the customer and the current economic environment.

#### *Foreign Currency Risk*

The group operates on a global basis, but its principal sales are UK and Mainland Europe. In 2021 due to the volatile currency markets the Group continued its policy of hedging all significant foreign currency-based contracts and this policy will continue to operate throughout the 2022 financial year.

The group's major shareholder loans are USA based and therefore year on year the loan accounts to the shareholders fluctuate both up and down dependent on the present USD currency exchange rate.

On behalf of the board



P D Allen  
Director

Date: 13 May 2022

# MTI WELDING TECHNOLOGIES LTD

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### **Principal activities**

The principal activity of the company and group is disclosed in the Strategic Report.

#### **Results and dividends**

The results for the year are set out on page 9.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Adams  
G R Harper II  
J Borsodi  
P D Allen  
R M A Jones

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Going concern**

The company and group continued to perform well with good order books maintained despite the impacts of COVID-19 and parts shortages.

The staggered return from the Coronavirus pandemic saw a growth in turnover but extended parts shortages in the market due to high backlogs and the conflict in Ukraine and has inevitably delayed the completion of some contracts. However the company and group remains well placed to continue to trade profitably and generate cash particularly due to the success of product and market developments in 2021. The group continues to invest in new technologies, developing opportunities in the Low Force Friction Welding market. The group continues to work with key market players to ensure it adapts and develops opportunities in growth sectors of electric/hybrid powertrain and aerospace markets. The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The company and group have strong cash and net asset levels at 31 December 2021 and no external bank borrowings. The exit from COVID lockdown and the Ukraine conflict presents challenges albeit the company and group have been able to maintain manufacturing progress and work with significant customers to minimise any delay in the timing of contractual staged payments.

Due to these challenges and the existence of a long term loan from the US parent company, the company and group is dependent for its working capital on funds provided to it by Manufacturing Technologies Inc., the group's ultimate parent undertaking. Manufacturing Technologies Inc., has provided the company and group with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and group and in particular will not seek repayment of the amounts currently made available. This should enable the company and group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this understanding, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments which would result from the basis of preparation being inappropriate.

#### **Research and development**

The group has a continuing commitment to research and development.

# MTI WELDING TECHNOLOGIES LTD

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### Strategic report

Information as required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 including future developments and principal risk and uncertainties has been included in the Strategic Report.

On behalf of the board,



.....  
P. D. Allen  
Director

Date: 13 May 2022

# **MTI WELDING TECHNOLOGIES LTD**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MTI WELDING TECHNOLOGIES LTD**

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### **Opinion**

We have audited the financial statements of MTI Welding Technologies Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated statement of Financial Position, Company statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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

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

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MTI WELDING TECHNOLOGIES LTD (CONTINUED)**

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MTI WELDING TECHNOLOGIES LTD (CONTINUED)

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In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Companies Act 2006 and tax legislation compliance. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to compliance with employment law and health & safety legislation compliance. We performed audit procedures to inquire of management and those charged with governance, as well as substantive testing, to confirm whether the group is in compliance with these law and regulations.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, performance of procedures including data analytics on revenue in the year, tests of detail on revenue transactions to supporting documentation, and challenging judgements and estimates applied in the recognition of revenue linked to percentage-of-completion long-term equipment contracts.

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

### **Use of our report**

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

*RSM UK Audit LLP*

Richard Eccles FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham  
West Midlands, B2 5AF

13 May 2022

# MTI WELDING TECHNOLOGIES LTD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
<b>Turnover</b>	<b>3</b>	15,112,990	12,183,526
Cost of sales		(10,055,404)	(8,565,553)
<b>Gross profit</b>		<u>5,057,586</u>	<u>3,617,973</u>
Administrative expenses		(3,787,992)	(3,558,504)
Other operating income		217,281	506,444
<b>Operating profit</b>	<b>6</b>	<u>1,486,875</u>	<u>565,913</u>
Other interest receivable and similar income	<b>8</b>	11	128,719
Interest payable and similar expenses	<b>9</b>	(206,122)	(104,409)
<b>Profit before taxation</b>		<u>1,280,764</u>	<u>590,223</u>
Tax on profit	<b>10</b>	(2,368)	13,527
<b>Profit for the financial year</b>		<u>1,278,396</u>	<u>603,750</u>
<b>Other comprehensive income net of taxation</b>			
Currency translation differences		(52,467)	53,842
<b>Total comprehensive income for the year</b>		<u><u>1,225,929</u></u>	<u><u>657,592</u></u>
Profit for the financial year is attributable to:			
- Owners of the parent company		1,246,759	595,516
- Non-controlling interests		31,637	8,234
		<u>1,278,396</u>	<u>603,750</u>
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		1,202,866	627,002
- Non-controlling interests		23,063	30,590
		<u>1,225,929</u>	<u>657,592</u>

## MTI WELDING TECHNOLOGIES LTD

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	11		31,600		58,254
Other intangible assets	11		60,864		107,386
Total intangible assets			92,464		165,640
Tangible assets	12		764,179		833,591
			856,643		999,231
<b>Current assets</b>					
Stocks	15	1,974,114		1,928,214	
Debtors	16	4,220,687		3,826,112	
Cash at bank and in hand		3,917,062		2,782,273	
			10,111,863		8,536,599
<b>Creditors: amounts falling due within one year</b>	17	(3,108,244)		(2,819,009)	
<b>Net current assets</b>			7,003,619		5,717,590
<b>Total assets less current liabilities</b>			7,860,262		6,716,821
<b>Creditors: amounts falling due after more than one year</b>	18		(3,859,030)		(3,545,312)
<b>Provisions for liabilities</b>	20		(305,073)		(257,588)
<b>Net assets</b>			3,696,159		2,913,921
<b>Capital and reserves</b>					
Called up share capital	24	1,600,000		1,600,000	
Other reserves	25	1,700,000		1,700,000	
Profit and loss reserves	25	396,159		(601,884)	
<b>Equity attributable to owners of the parent company</b>			3,696,159		2,698,116
<b>Non-controlling interests</b>			-		215,805
			3,696,159		2,913,921

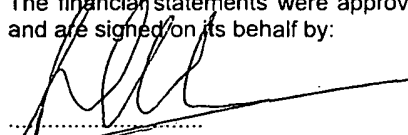
**MTI WELDING TECHNOLOGIES LTD**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2021**

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The financial statements were approved by the board of directors and authorised for issue on 13 May 2022 and are signed on its behalf by:



.....  
P. D. Allen  
Director

**MTI WELDING TECHNOLOGIES LTD****COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		332,175		428,555
Investments	13		2,337,018		2,144,068
			<u>2,669,193</u>		<u>2,572,623</u>
<b>Current assets</b>					
Stocks	15	652,330		712,120	
Debtors	16	2,962,779		2,189,622	
Cash at bank and in hand		1,951,633		1,247,969	
		<u>5,566,742</u>		<u>4,149,711</u>	
<b>Creditors: amounts falling due within one year</b>	17	(1,958,279)		(1,619,836)	
<b>Net current assets</b>			<u>3,608,463</u>		<u>2,529,875</u>
<b>Total assets less current liabilities</b>			<u>6,277,656</u>		<u>5,102,498</u>
<b>Creditors: amounts falling due after more than one year</b>	18		(3,837,266)		(3,517,701)
<b>Provisions for liabilities</b>	20		(214,726)		(186,860)
<b>Net assets</b>			<u>2,225,664</u>		<u>1,397,937</u>
<b>Capital and reserves</b>					
Called up share capital	24	1,600,000		1,600,000	
Other reserves	25	1,700,000		1,700,000	
Profit and loss reserves	25	(1,074,336)		(1,902,063)	
<b>Total equity</b>			<u>2,225,664</u>		<u>1,397,937</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £827,727 (2020 - £351,235).

The financial statements were approved by the board of directors and authorised for issue on 13 May 2022 and are signed on its behalf by:

  
P. D. Allen  
Director

**MTI WELDING TECHNOLOGIES LTD**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital	Other reserves	Profit and loss reserves	Total controlling interest	Non- controlling interest	Total
	£	£	£	£	£	£
<b>Balance at 1 January 2020</b>	1,600,000	1,700,000	(1,228,886)	2,071,114	244,821	2,315,935
<b>Year ended 31 December 2020:</b>						
Profit for the year	-	-	595,516	595,516	8,234	603,750
Other comprehensive income net of taxation:						
Currency translation differences on overseas subsidiaries	-	-	31,486	31,486	22,356	53,842
Total comprehensive income for the year	-	-	627,002	627,002	30,590	657,592
Dividends paid to NCI	-	-	-	-	(59,606)	(59,606)
<b>Balance at 31 December 2020</b>	1,600,000	1,700,000	(601,884)	2,698,116	215,805	2,913,921
<b>Year ended 31 December 2021:</b>						
Profit for the year	-	-	1,246,759	1,246,759	31,637	1,278,396
Other comprehensive income net of taxation:						
Currency translation differences on overseas subsidiaries	-	-	(43,893)	(43,893)	(8,574)	(52,467)
Total comprehensive income for the year	-	-	1,202,866	1,202,866	23,063	1,225,929
Dividends paid to NCI	-	-	-	-	(251,848)	(251,848)
Transfers	-	-	(12,980)	(12,980)	12,980	-
Payment to acquire minority shareholding	-	-	(191,843)	(191,843)	-	(191,843)
<b>Balance at 31 December 2021</b>	1,600,000	1,700,000	396,159	3,696,159	-	3,696,159

# MTI WELDING TECHNOLOGIES LTD

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 January 2020</b>	1,600,000	1,700,000	(2,253,298)	1,046,702
<b>Year ended 31 December 2020:</b>				
Profit and total comprehensive income for the year	-	-	351,235	351,235
<b>Balance at 31 December 2020</b>	1,600,000	1,700,000	(1,902,063)	1,397,937
<b>Year ended 31 December 2021:</b>				
Profit and total comprehensive income for the year	-	-	827,727	827,727
<b>Balance at 31 December 2021</b>	1,600,000	1,700,000	(1,074,336)	2,225,664

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# MTI WELDING TECHNOLOGIES LTD

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26	1,737,551		1,022,727	
Interest paid		(106,444)		(104,409)	
Income taxes refunded		12,566		65,722	
<b>Net cash inflow from operating activities</b>		<b>1,643,673</b>		<b>984,040</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(269,328)		(105,323)	
Proceeds on disposal of tangible fixed assets		11,088		26,010	
Payment to acquire minority shareholding		(191,843)		-	
Interest received		11		70	
<b>Net cash used in investing activities</b>		<b>(450,072)</b>		<b>(79,243)</b>	
<b>Financing activities</b>					
Movement in balances with group undertakings		319,565		460,355	
Payment of finance leases obligations		(26,851)		(40,093)	
Dividends paid to non-controlling interests		(251,848)		(59,606)	
<b>Net cash generated from financing activities</b>		<b>40,866</b>		<b>360,656</b>	
<b>Net increase in cash and cash equivalents</b>		<b>1,234,467</b>		<b>1,265,453</b>	
Cash and cash equivalents at beginning of year		2,782,273		1,516,820	
Effect of foreign exchange rates		(99,678)		-	
<b>Cash and cash equivalents at end of year</b>		<b>3,917,062</b>		<b>2,782,273</b>	

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

MTI Welding Technologies Ltd ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Building 81 Bays 1 & 2, First Avenue, Pensnett Trading Estate, Kingswinford, DY6 7FJ.

The group consists of MTI Welding Technologies Ltd and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Strategic Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### Reduced disclosure

The company has taken advantage of the exemption from disclosing the following information, as permitted by the reduced disclosure regime within FRS 102:-

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in these financial statements.

#### Basis of consolidation

The consolidated financial statements incorporate those of MTI Welding Technologies Ltd and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies (Continued)

##### **Going concern**

The company and group continued to perform well with good order books maintained despite the impacts of COVID-19 and parts shortages.

The staggered return from the Coronavirus pandemic saw a growth in turnover but extended parts shortages in the market due to high backlogs and the conflict in Ukraine and has inevitably delayed the completion of some contracts. However the company and group remains well placed to continue to trade profitably and generate cash particularly due to the success of product and market developments in 2021. The group continues to invest in new technologies, developing opportunities in the Low Force Friction Welding market. The group continues to work with key market players to ensure it adapts and develops opportunities in growth sectors of electric/hybrid powertrain and aerospace markets. The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The company and group have strong cash and net asset levels at 31 December 2021 and no external bank borrowings. The exit from COVID lockdown and the Ukraine conflict presents challenges albeit the company and group have been able to maintain manufacturing progress and work with significant customers to minimise any delay in the timing of contractual staged payments.

Due to these challenges and the existence of a long term loan from the US parent company, the company and group is dependent for its working capital on funds provided to it by Manufacturing Technologies Inc., the group's ultimate parent undertaking. Manufacturing Technologies Inc., has provided the company and group with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and group and in particular will not seek repayment of the amounts currently made available. This should enable the company and group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this understanding, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments which would result from the basis of preparation being inappropriate.

##### **Turnover**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable on contracts, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The company uses the percentage-of-completion method of accounting for long-term equipment contracts. Under the percentage-of-completion method, sales and gross profit are recognised as work is performed based on the relationship between actual manufacturing costs incurred and total forecasted costs to complete the equipment. Sales and gross profit are adjusted for revisions in completion estimates and contract values in the period in which the facts giving rise to the revisions become known.

Contract costs include all direct material and labour costs and those indirect costs related to contract performance such as indirect labour, supplies, tools, depreciation and overhead costs. Losses on uncompleted jobs are recognised in the period such losses become known. Costs and estimated earnings in excess of billings on uncompleted contracts are included in current assets on the accompanying consolidated balance sheets, while billing in excess of costs and estimated earnings on uncompleted contracts in excess of costs and forecasted costs are included in current liabilities on the accompanying consolidated balance sheets.

Revenue related to joining and welding services is recognised upon completion of such services.

##### **Research and development expenditure**

Research and development expenditure is written off against profits in the year in which it is incurred.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies (Continued)

##### **Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 7 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

##### **Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	2 years
Patents and licences	2 years
Development costs	2 years
Customer relationships	7 years

##### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Leasehold improvements	Straight line over lease term
Plant and equipment	20% - 33% straight line
Fixtures and fittings	20% straight line
Computers	33% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

##### **Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies (Continued)

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### **Impairment of fixed assets**

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

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

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies (Continued)

##### **Basic financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

##### **Equity instruments**

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies (Continued)

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. *Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.*

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

#### **Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. *When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.*

#### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. Accounting policies (Continued)

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

##### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk are as follows:

#### **Trade debtors**

Trade debtors consist of amounts due from customers, as at 31 December 2021 the balance was £2,366,691 (2020: £2,607,640). An allowance for doubtful debts is maintained for estimated losses resulting from the inability of the company's customers to make required payments. The allowance is based on the company's regular assessment of the credit worthiness and financial conditions of customers.

#### **Stock**

Stock is valued at the lower of cost and net realisable value. Cost is determined on an overhead allocation basis. Net realisable value is determined by management with reference to market value, considering managements estimates of future sales based on past sales history. Certain factors could affect the net realisable value of the company's stocks, including customer demand and market conditions. As at 31 December 2021, the balance sheet was £1,974,114 (2020: £1,928,214).

#### **Revenue**

The company uses the percentage-of-completion method of accounting for long-term equipment contracts. Under the percentage-of-completion method, sales and gross profit are recognised as work is performed based on the relationship between the actual construction costs incurred and total forecasted costs to complete the equipment. Sales and gross profit are adjusted for revisions in completion estimates and contract values in the period in which the facts giving rise to the revision become known. Sales for the year totalled £15,112,990 (2020: £12,183,526).

#### **Depreciation and amortisation**

Depreciation and amortisation are provided on fixed assets based on the estimate useful economic life of those assets. This is based on management's knowledge of the business, assets and prior experience. The group depreciation and amortisation for the year amounted to £329,621 (2020: £397,435) and £49,059 (2020: £49,108) respectively.

#### **Provisions - Warranties**

The amount recognised for warranties for which customers are covered for the cost of repairs is estimated based on management's past experience and the future expectations of defect. As at 31 December 2021, the balance was £214,726 (2020: £186,860).

#### **Intangible assets valuation**

In attributing value to intangible assets arising on previous acquisitions, management has made certain assumptions in terms of cash flows attributable to customer relationships. The key assumptions relate to the trading performance of the acquired business and discount rates applied to calculate the present value of future cash flows. As at 31 December 2021 the total of group intangible assets amounted to £92,464 (2020: £165,640).

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2021 £	2020 £
<b>Turnover analysed by class of business</b>		
Sale of goods	15,056,925	12,116,751
Sale of services	56,065	66,775
	<u>15,112,990</u>	<u>12,183,526</u>
	2021 £	2020 £
<b>Other revenue</b>		
Interest income	11	70
Grants received - Coronavirus Job Retention Scheme	216,281	506,444
	<u>216,292</u>	<u>506,514</u>
	2021 £	2020 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	6,711,058	5,965,551
Rest of Europe	4,542,567	4,205,223
Rest of World	3,859,365	2,012,752
	<u>15,112,990</u>	<u>12,183,526</u>

The group has utilised the Coronavirus Job Retention Scheme during the year.

#### 4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Production	54	56	21	22
Selling and administration	41	42	14	16
	<u>95</u>	<u>98</u>	<u>35</u>	<u>38</u>
Total	<u>95</u>	<u>98</u>	<u>35</u>	<u>38</u>

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 4 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	3,072,162	3,119,369	1,575,203	1,586,727
Social security costs	446,781	450,414	165,395	169,433
Pension costs	71,385	86,281	38,616	48,460
	<u>3,590,328</u>	<u>3,656,064</u>	<u>1,779,214</u>	<u>1,804,620</u>

#### 5 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	368,740	396,744
Company pension contributions to defined contribution schemes	14,738	14,700
	<u>383,478</u>	<u>411,444</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	201,206	236,089
Company pension contributions to defined contribution schemes	6,900	6,900
	<u>208,106</u>	<u>242,989</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020: 2).

#### 6 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	11,831	5,360
Research and development costs	700,000	700,000
Government grants - Coronavirus Job Retention Scheme	(216,281)	(506,444)
Depreciation of owned tangible fixed assets	293,259	348,993
Depreciation of tangible fixed assets held under finance leases	36,362	48,442
Profit on disposal of tangible fixed assets	(7,342)	(13,331)
Amortisation of intangible assets	49,059	49,108
Operating lease charges	<u>256,484</u>	<u>278,172</u>

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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<b>7 Auditor's remuneration</b>	<b>2021</b>	<b>2020</b>
Fees payable to the company's auditor and associates:	£	£
<b>For audit services</b>		
Audit of the financial statements of the group and company	36,550	31,750
Audit of the financial statements of the company's subsidiaries	26,538	23,788
	<u>63,088</u>	<u>55,538</u>
<b>8 Interest receivable and similar income</b>	<b>2021</b>	<b>2020</b>
	£	£
<b>Interest income</b>		
Other interest income	11	70
<b>Other income from investments</b>		
Exchange differences arising on group loans	-	128,649
Total income	<u>11</u>	<u>128,719</u>
<b>9 Interest payable and similar expenses</b>	<b>2021</b>	<b>2020</b>
	£	£
Interest payable to group undertakings	104,521	99,925
Interest on finance leases and hire purchase contracts	1,923	4,484
Exchange differences arising on group loans	99,678	-
Total finance costs	<u>206,122</u>	<u>104,409</u>

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 10 Taxation

	2021 £	2020 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	57,268	82,540
Adjustments in respect of prior periods	(101,725)	(104,307)
Total UK current tax	<u>(44,457)</u>	<u>(21,767)</u>
Foreign current tax on profits for the current period	30,222	17,204
Total current tax	<u>(14,235)</u>	<u>(4,563)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	378	(17,652)
Changes in tax rates	16,200	6,455
Adjustment in respect of prior periods	25	2,233
Total deferred tax	<u>16,603</u>	<u>(8,964)</u>
Total tax charge/(credit) for the year	<u>2,368</u>	<u>(13,527)</u>

The total tax charge/(credit) for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	<u>1,280,764</u>	<u>590,223</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	243,345	112,142
Tax effect of expenses that are not deductible in determining taxable profit	1,368	32,442
Adjustments in respect of prior years	(101,700)	(100,677)
Effect of overseas tax rates	2,000	2,436
Remeasurement of deferred tax for changes in tax rates	(44,372)	(35,409)
Deferred tax not recognised and change in tax rates	(90,331)	(10,619)
Group income	-	(13,842)
Fixed asset differences	(7,942)	-
Taxation charge/(credit) for the year	<u>2,368</u>	<u>(13,527)</u>

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 21. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at 31 December 2021.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 11 Intangible fixed assets

Group	Goodwill	Software	Patents and licences	Development costs	Customer relationships	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2021	178,392	35,741	39,200	51,000	254,160	558,493
Disposals	-	(25,680)	-	-	-	(25,680)
Exchange adjustments	(8,906)	(811)	-	-	(14,984)	(24,701)
At 31 December 2021	169,486	9,250	39,200	51,000	239,176	508,112
<b>Amortisation and impairment</b>						
At 1 January 2021	120,138	31,590	39,200	51,000	150,925	392,853
Amortisation charged for the year	17,748	1,452	-	-	29,859	49,059
Disposals	-	(25,680)	-	-	-	(25,680)
Exchange adjustments	-	(584)	-	-	-	(584)
At 31 December 2021	137,886	6,778	39,200	51,000	180,784	415,648
<b>Carrying amount</b>						
At 31 December 2021	31,600	2,472	-	-	58,392	92,464
At 31 December 2020	58,254	4,151	-	-	103,235	165,640
<b>Company</b>			<b>Goodwill</b>	<b>Patents and licences</b>	<b>Development costs</b>	<b>Total</b>
			£	£	£	£
<b>Cost</b>						
At 1 January 2021 and 31 December 2021			49,000	39,200	51,000	139,200
<b>Amortisation and impairment</b>						
At 1 January 2021 and 31 December 2021			49,000	39,200	51,000	139,200
<b>Carrying amount</b>						
At 31 December 2020 and 31 December 2021			-	-	-	-

## MTI WELDING TECHNOLOGIES LTD

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 12 Tangible fixed assets

Group	Freehold land	Leasehold	Plant and	Fixtures and	Computers	Motor	Total
	and buildings	improvements	equipment	and fittings		vehicles	
	£	£	£	£	£	£	£
<b>Cost</b>							
At 1 January 2021	132,159	212,704	2,835,229	147,162	272,899	233,547	3,833,700
Additions	8,687	2,245	169,170	4,132	27,914	57,180	269,328
Disposals	-	-	(694,504)	(102,759)	(188,002)	(40,543)	(1,025,808)
Transfers	34,492	(34,492)	-	-	-	-	-
Exchange adjustments	(2,441)	-	(20,342)	-	-	-	(22,783)
At 31 December 2021	172,897	180,457	2,289,553	48,535	112,811	250,184	3,054,437
<b>Depreciation and impairment</b>							
At 1 January 2021	-	154,691	2,344,569	141,740	213,258	145,851	3,000,109
Depreciation charged in the year	2,108	4,258	263,352	3,849	24,806	31,248	329,621
Eliminated in respect of disposals	-	-	(694,504)	(102,759)	(184,256)	(40,543)	(1,022,062)
Transfers	8,549	(8,549)	-	-	-	-	-
Exchange adjustments	(707)	-	(16,703)	-	-	-	(17,410)
At 31 December 2021	9,950	150,400	1,896,714	42,830	53,808	136,556	2,290,258
<b>Carrying amount</b>							
At 31 December 2021	162,947	30,057	392,839	5,705	59,003	113,628	764,179
At 31 December 2020	132,159	58,013	490,660	5,422	59,641	87,696	833,591

**MTI WELDING TECHNOLOGIES LTD**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**12 Tangible fixed assets (Continued)**

<b>Company</b>	<b>Freehold land and buildings</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Computers</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>							
At 1 January 2021	132,159	166,008	1,825,436	89,513	155,772	28,810	2,397,698
Additions	-	-	17,862	4,132	24,047	29,515	75,556
Disposals	-	-	(310,411)	(49,027)	(127,713)	(15,670)	(502,821)
At 31 December 2021	132,159	166,008	1,532,887	44,618	52,106	42,655	1,970,433
<b>Depreciation and impairment</b>							
At 1 January 2021	-	143,573	1,571,833	89,023	135,904	28,810	1,969,143
Depreciation charged in the year	-	1,689	155,340	247	9,069	1,845	168,190
Eliminated in respect of disposals	-	-	(310,411)	(49,027)	(123,967)	(15,670)	(499,075)
At 31 December 2021	-	145,262	1,416,762	40,243	21,006	14,985	1,638,258
<b>Carrying amount</b>							
At 31 December 2021	132,159	20,746	116,125	4,375	31,100	27,670	332,175
At 31 December 2020	132,159	22,435	253,603	490	19,868	-	428,555

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 12 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Plant and equipment	88,422	98,324	-	-
Motor vehicles	268	9,587	-	-
	<u>88,690</u>	<u>107,911</u>	<u>-</u>	<u>-</u>

### 13 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	14	-	-	2,337,018	2,144,068
		<u>-</u>	<u>-</u>	<u>2,337,018</u>	<u>2,144,068</u>

#### Movements in fixed asset investments

Company	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2021	2,144,068
Additions	192,950
	<u>2,337,018</u>
At 31 December 2021	2,337,018
<b>Carrying amount</b>	
At 31 December 2021	2,337,018
	<u>2,337,018</u>
At 31 December 2020	2,144,068
	<u>2,144,068</u>

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Federal Resistance Limited	1	Dormant	Ordinary	100.00
Prospot Limited	1	Manufacturing of friction and resistance welding machinery	Ordinary	100.00
Prospot SK, LLC	2	Manufacturing of friction and resistance welding machinery	Ordinary	100.00

1. Building 81, Bays 1 & 2, Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7FJ

2. Osada Reviczského 1737/31, 94603 Kolarovo, Slovakia

#### Increased holding in subsidiary

On 26 August 2021 the parent company purchased 45% of the ordinary share capital of Prospot SK, LLC. This was acquired via a payment of a dividend to the minority interest of £251,848 by Prospot SK, LLC, and a cash payment for the shares of £192,950. The group controlled Prospot SK, LLC before and after the acquisition and was already accounting for Prospot SK, LLC as a subsidiary. As a result of this transaction, Prospot SK, LLC is now wholly owned, and the non-controlling interest in Prospot SK, LLC at 26 August 2021 of £238,868 has been derecognised.

#### 15 Stocks

	Group 2021 £	2020 £	Company 2021 £	2020 £
Raw materials and consumables	786,044	667,013	2,201	2,152
Work in progress	270,442	483,009	170,220	381,311
Finished goods and goods for resale	917,628	778,192	479,909	328,657
	<u>1,974,114</u>	<u>1,928,214</u>	<u>652,330</u>	<u>712,120</u>

#### 16 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
<b>Amounts falling due within one year:</b>				
Trade debtors	2,366,691	2,607,640	1,578,683	1,246,452
Gross amounts owed by contract customers	1,656,934	746,294	1,219,349	592,900
Corporation tax recoverable	6,599	27,186	-	-
Amounts owed by group undertakings	27,718	27,718	52,765	27,718
Other debtors	29,634	170,620	28,749	143,371
Prepayments and accrued income	133,111	246,654	83,233	179,181
	<u>4,220,687</u>	<u>3,826,112</u>	<u>2,962,779</u>	<u>2,189,622</u>

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 17 Creditors: amounts falling due within one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Obligations under finance leases	19	22,535	43,130	-	-
Payments received on account		718,227	-	624,055	-
Trade creditors		1,058,852	1,825,836	704,311	1,295,072
Corporation tax payable		57,268	82,540	-	137
Other taxation and social security		211,052	246,071	44,380	42,387
Deferred income	22	285,062	79,726	284,991	79,726
Other creditors		241,535	131,432	1,533	1,533
Accruals		513,713	410,274	299,009	200,981
		<u>3,108,244</u>	<u>2,819,009</u>	<u>1,958,279</u>	<u>1,619,836</u>

Payments received on account are secured by performance bonds provided by HSBC totalling £290,850 as at 31 December 2021.

#### 18 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Obligations under finance leases	19	21,355	27,611	-	-
Amounts due to group undertakings		3,837,266	3,517,701	3,837,266	3,517,701
Other creditors		409	-	-	-
		<u>3,859,030</u>	<u>3,545,312</u>	<u>3,837,266</u>	<u>3,517,701</u>

Amounts owed to the ultimate parent company are repayable when certain profit and cash targets of the company are met. Interest is payable at 2% above the US prime lending base rate. The loan is secured by a floating charge over assets of the group.

#### 19 Finance lease obligations

	Group 2021 £	2020 £	Company 2021 £	2020 £
Future minimum lease payments due under finance leases:				
Less than one year	22,535	43,130	-	-
Between one and five years	21,355	27,611	-	-
	<u>43,890</u>	<u>70,741</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 2.5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 20 Provisions for liabilities

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Warranty provision		214,726	186,860	214,726	186,860
Deferred tax liabilities	21	90,347	70,728	-	-
		<u>305,073</u>	<u>257,588</u>	<u>214,726</u>	<u>186,860</u>

Movements on provisions apart from deferred tax liabilities:

Group	Warranty provision £
At 1 January 2021	186,860
Additional provisions in the year	162,993
Utilisation of provision	(135,127)
At 31 December 2021	<u>214,726</u>

Company	Warranty provision £
At 1 January 2021	186,860
Additional provisions in the year	162,993
Utilisation of provision	(135,127)
At 31 December 2021	<u>214,726</u>

#### Warranty claims

The warranty provision represents the group's liability in respect of warranties granted on products sold. The amount provided represents management's best estimate of the future cash outflows in respect of those products still within their warranty period at the year end, based on past experience of costs incurred.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 21 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

<b>Group</b>	<b>Liabilities 2021 £</b>	<b>Liabilities 2020 £</b>
Accelerated capital allowances	79,069	58,739
Tax losses	-	(5,256)
Short term timing differences	(1,460)	(2,208)
On business acquisition	12,738	19,453
	<u>90,347</u>	<u>70,728</u>

<b>Company</b>	<b>Liabilities 2021 £</b>	<b>Liabilities 2020 £</b>
Accelerated capital allowances	-	6,525
Tax losses	-	(5,256)
Short term timing differences	-	(1,269)
	<u>-</u>	<u>-</u>

The company has no deferred tax assets or liabilities.

<b>Movements in the year:</b>	<b>Group 2021 £</b>	<b>Company 2021 £</b>
Liability at 1 January 2021	70,728	-
Charge to profit or loss	19,619	-
Liability at 31 December 2021	<u>90,347</u>	<u>-</u>

The company has tax losses amounting to £1,044,179 (2020: £1,844,700). The deferred tax asset in respect of these items is £262,499 (2020: £350,493). £Nil (2020: £5,256) has been recognised in the financial statements, the remaining balance of £262,499 (2020: £345,237) has not been recognised in the financial statements as, in the opinion of the directors, there is insufficient evidence that it will be recoverable against future profits in the foreseeable future.

The deferred tax asset totalling £Nil (2020: £5,256) set out above is expected to reverse within 2 years and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability totalling £79,069 (2020: £58,739) set out above is expected to reverse within 9 years and relates to accelerated capital allowances that are expected to mature within the same period. The deferred tax liability totalling £12,738 (2020: £19,453) is expected to reverse within 6 years and relates to fair value uplift on acquisition of Prospot SK.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 22 Deferred income

	Group 2021 £	2020 £	Company 2021 £	2020 £
Deferred income	285,062	79,726	284,991	79,726

#### 23 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	71,385	86,281

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Contributions totalling £7,372 (2020: £1,533) were payable to the fund at the year end and are included in creditors.

#### 24 Share capital

	Group and Company			
	2021 Number	2020 Number	2021 £	2020 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary A of £1 each	51,000	51,000	51,000	51,000
Ordinary B of £1 each	49,000	49,000	49,000	49,000
Ordinary of £1 each	1,500,000	1,500,000	1,500,000	1,500,000
	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>

Both A and B shares have full voting rights, right to dividend and full rights in the event of winding up of the company.

#### 25 Reserves

##### Profit and loss reserves

The profit and loss reserve represents cumulative profit and losses for the group/company net of distributions to owners.

##### Other reserves

Includes capital contribution received from the ultimate parent company for long-term capital investments projects or other large and anticipated expenses that will be incurred in the future.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 26 Cash generated from group operations

	2021	2020
	£	£
Profit for the year after tax	1,278,396	603,750
<b>Adjustments for:</b>		
Taxation charged/(credited)	2,368	(13,527)
Finance costs	206,122	104,409
Investment income	(11)	(128,719)
Gain on disposal of tangible fixed assets	(7,342)	(13,331)
Amortisation and impairment of intangible assets	49,059	49,108
Depreciation and impairment of tangible fixed assets	329,621	397,435
Foreign exchange	(22,977)	14,772
Increase in provisions	27,866	78,616
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(45,900)	28,698
(Increase)/decrease in debtors	(415,162)	748,685
Increase/(decrease) in creditors	130,175	(926,895)
Increase in deferred income	205,336	79,726
<b>Cash generated from operations</b>	<u>1,737,551</u>	<u>1,022,727</u>

#### 27 Analysis of changes in net funds/(debt) - group

	1 January 2021	Cash flows	Non-cash movements	31 December 2021
	£	£	£	£
Cash at bank and in hand	2,782,273	1,234,467	(99,678)	3,917,062
Amounts due to group undertakings	(3,517,701)	(319,565)	-	(3,837,266)
Obligations under finance leases	(70,741)	26,851	-	(43,890)
	<u>(806,169)</u>	<u>941,753</u>	<u>(99,678)</u>	<u>35,906</u>

Non-cash movements totalling expenditure of £99,678 on exchange differences arising on bank balances and group loans (2020: income of £128,649).

#### 28 Financial commitments, guarantees and contingent liabilities

The company is party to a cross guarantee arrangement between Lake City Bank and other entities of the worldwide group dated 28 September 2011 in respect of all existing and future borrowings from Lake City Bank.

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 29 Operating lease commitments

##### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>Group</b>	<b>2020</b>	<b>Company</b>	<b>2020</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	201,955	214,149	130,832	130,832
Between one and five years	144,238	343,206	32,708	163,540
	<u>346,193</u>	<u>557,355</u>	<u>163,540</u>	<u>294,372</u>

#### 30 Related party transactions

##### Transactions with related parties

During the year the group and company entered into the following transactions with related parties:

	<b>Sale of services</b>	
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Other group companies	9,025	2,065
	<u>9,025</u>	<u>2,065</u>

	<b>Purchase of goods/services</b>	
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Other group companies	9,327	121,504
	<u>9,327</u>	<u>121,504</u>

The following amounts were outstanding at the reporting end date:

<b>Amounts due to related parties</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Other group companies	-	391
	<u>-</u>	<u>391</u>

# MTI WELDING TECHNOLOGIES LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 30 Related party transactions (Continued)

##### **Other information**

Amounts owed to other group companies related to subsidiary companies that were not 100% owned.

On 26 August 2021 the parent company purchased 45% of the ordinary share capital of Prospot SK, LLC. This was acquired via a payment of a dividend to the minority interest of £251,848 by Prospot SK, LLC, and a cash payment for the shares of £192,950. The group controlled Prospot SK, LLC before and after the acquisition and was already accounting for Prospot SK, LLC as a subsidiary. As a result of this transaction, Prospot SK, LLC is now wholly owned.

During the year, dividends totalling £Nil (2020: £132,459) were paid from a subsidiary company that is not 100% owned. 55% of these dividends totalling £Nil (2020: £72,853) are eliminated on consolidation.

#### 31 Controlling party

The immediate and ultimate parent undertaking is Manufacturing Technology Inc., a company registered in Indiana, USA. The registered address of Manufacturing Technology Inc. is 1702 West Washington, South Bend, IN 46628 USA.

Manufacturing Technology Inc. is the smallest and largest group for which consolidated accounts including MTI Welding Technologies Ltd are prepared.