

Company Registration No. 05509639 (England and Wales)

MTI WELDING TECHNOLOGIES LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020



MTI WELDING TECHNOLOGIES LTD

COMPANY INFORMATION

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

MTI WELDING TECHNOLOGIES LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

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 order growth in both sales of welding machines and contract welding during 2020.

Key performance indicators

Turnover fell 20% following extended Customer shutdowns during Covid-19. Order books remained strong with backlogs increasing during closedown. Continuing strong demand 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 fell by £196,888 in the year, to close at £565,913, as a result of the turnover reduction being mitigated by margin improvement and close attention to operational (administrative) costs.

Finance Key Variations

Group cash balances improved £1.265m to close at £2,782,273.

Stocks were consistent year on year despite the fall in activity levels.

Future outlook and key risks and uncertainties

The group continues to perform well with strong order books going into 2021.

The Coronavirus pandemic may affect turnover growth seen pre 2020 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 2019 and through 2020. The Groups' trading review for 2020 to assess the effects of the pandemic on the business and the ongoing strength and stability of the group has left the Group well positioned to move turnover levels in line with the growth experienced in 2019.

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 2020

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 a number of 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 2020 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 2021 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: 29 July 2021

MTI WELDING TECHNOLOGIES LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

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

Results

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 continues to perform well with strong order books maintained despite the impacts of COVID-19.

The Coronavirus pandemic has inevitably affected turnover and profits 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 2020. The group has undertaken a trading review up until June 2022 to assess the effects of the pandemic on the business and the ongoing strength and stability of the group. 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 2020 and no external bank borrowings. COVID lockdown 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 2020

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 J Allen
Director

Date: 29 July 2021

MTI WELDING TECHNOLOGIES LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Opinion

We have audited the financial statements of MTI Welding Technologies Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 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 2020 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)

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)

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

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- 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, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

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

The group audit engagement team identified the risk of management override of controls 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, challenging judgments and estimates used in the preparation of the financial statements.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.



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

29 July 2021

MTI WELDING TECHNOLOGIES LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	12,183,526	15,211,327
Cost of sales		(8,565,553)	(10,715,204)
Gross profit		3,617,973	4,496,123
Administrative expenses		(3,558,504)	(3,733,322)
Other operating income		506,444	-
Operating profit	6	565,913	762,801
Other interest receivable and similar income	8	128,719	141,834
Interest payable and similar expenses	9	(104,409)	(116,959)
Profit before taxation		590,223	787,676
Tax on profit	10	13,527	(35,773)
Profit for the financial year		603,750	751,903
Other comprehensive income net of taxation			
Currency translation differences		53,842	(42,627)
Total comprehensive income for the year		657,592	709,276
Profit for the financial year is attributable to:			
- Owners of the parent company		595,516	725,950
- Non-controlling interests		8,234	25,953
		603,750	751,903
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		627,002	700,881
- Non-controlling interests		30,590	8,395
		657,592	709,276

MTI WELDING TECHNOLOGIES LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Goodwill	11		58,254		66,681
Other intangible assets	11		107,386		122,762
			<u>165,640</u>		<u>189,443</u>
Total intangible assets			165,640		189,443
Tangible assets	12		833,591		1,124,617
			<u>999,231</u>		<u>1,314,060</u>
Current assets					
Stocks	15	1,928,214		1,956,912	
Debtors	16	3,826,112		4,578,457	
Cash at bank and in hand		2,782,273		1,516,820	
		<u>8,536,599</u>		<u>8,052,189</u>	
Creditors: amounts falling due within one year	17	(2,819,009)		(3,629,365)	
Net current assets			<u>5,717,590</u>		<u>4,422,824</u>
Total assets less current liabilities			<u>6,716,821</u>		<u>5,736,884</u>
Creditors: amounts falling due after more than one year	18		(3,545,312)		(3,233,899)
Provisions for liabilities	20		(257,588)		(187,050)
Net assets			<u>2,913,921</u>		<u>2,315,935</u>
Capital and reserves					
Called up share capital	23	1,600,000		1,600,000	
Other reserves	24	1,700,000		1,700,000	
Profit and loss reserves	24	(601,884)		(1,228,886)	
			<u>2,698,116</u>		<u>2,071,114</u>
Equity attributable to owners of the parent company			2,698,116		2,071,114
Non-controlling interests			215,805		244,821
			<u>2,913,921</u>		<u>2,315,935</u>

MTI WELDING TECHNOLOGIES LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

The financial statements were approved by the board of directors and authorised for issue on 29 July 2021 and are signed on its behalf by:


P. D. Allen
Director

MTI WELDING TECHNOLOGIES LTD**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	12		428,555		603,755
Investments	13		2,144,068		2,144,068
			<u>2,572,623</u>		<u>2,747,823</u>
Current assets					
Stocks	15	712,120		681,803	
Debtors	16	2,189,622		3,346,093	
Cash at bank and in hand		1,247,969		172,451	
		<u>4,149,711</u>		<u>4,200,347</u>	
Creditors: amounts falling due within one year	17	(1,619,836)		(2,607,229)	
Net current assets			<u>2,529,875</u>		<u>1,593,118</u>
Total assets less current liabilities			<u>5,102,498</u>		<u>4,340,941</u>
Creditors: amounts falling due after more than one year	18		(3,517,701)		(3,185,995)
Provisions for liabilities	20		(186,860)		(108,244)
Net assets			<u>1,397,937</u>		<u>1,046,702</u>
Capital and reserves					
Called up share capital	23		1,600,000		1,600,000
Other reserves	24		1,700,000		1,700,000
Profit and loss reserves	24		(1,902,063)		(2,253,298)
Total equity			<u>1,397,937</u>		<u>1,046,702</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 £351,235 (2019 - £417,564).

The financial statements were approved by the board of directors and, authorised for issue on 29 July 2021 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 2020**

	Share capital	Other reserves	Profit and loss reserves	Total controlling interest	Non- controlling interest	Total
	£	£	£	£	£	£
Balance at 1 January 2019	100,000	1,700,000	(1,929,767)	(129,767)	236,426	106,659
Year ended 31 December 2019:						
Profit for the year	-	-	725,950	725,950	25,953	751,903
Other comprehensive income net of taxation:						
Currency translation differences on overseas subsidiaries	-	-	(25,069)	(25,069)	(17,558)	(42,627)
Total comprehensive income for the year	-	-	700,881	700,881	8,395	709,276
Issue of share capital	23 1,500,000	-	-	1,500,000	-	1,500,000
Balance at 31 December 2019	1,600,000	1,700,000	(1,228,886)	2,071,114	244,821	2,315,935
Year ended 31 December 2020:						
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	-	-	-	-	(59,606)	(59,606)
Balance at 31 December 2020	1,600,000	1,700,000	(601,884)	2,698,116	215,805	2,913,921

MTI WELDING TECHNOLOGIES LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2019		100,000	1,700,000	(2,670,862)	(870,862)
Year ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	417,564	417,564
Issue of share capital	23	1,500,000	-	-	1,500,000
Balance at 31 December 2019		1,600,000	1,700,000	(2,253,298)	1,046,702
Year ended 31 December 2020:					
Profit and total comprehensive income for the year		-	-	351,235	351,235
Balance at 31 December 2020		1,600,000	1,700,000	(1,902,063)	1,397,937

MTI WELDING TECHNOLOGIES LTD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	25	1,022,727		580,996	
Interest paid		(104,409)		(116,959)	
Income taxes refunded		65,722		1,476	
Net cash inflow from operating activities		984,040		465,513	
Investing activities					
Purchase of intangible assets		-		(5,924)	
Purchase of tangible fixed assets		(105,323)		(157,672)	
Proceeds on disposal of tangible fixed assets		26,010		14,000	
Interest received		70		271	
Net cash used in investing activities		(79,243)		(149,325)	
Financing activities					
Movement in balances with group undertakings		460,355		(492,021)	
Payment of finance leases obligations		(40,093)		(69,509)	
Dividends paid to non-controlling interests		(59,606)		-	
Net cash generated from/(used in) financing activities		360,656		(561,530)	
Net increase/(decrease) in cash and cash equivalents		1,265,453		(245,342)	
Cash and cash equivalents at beginning of year		1,516,820		1,762,162	
Cash and cash equivalents at end of year		2,782,273		1,516,820	

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 Buildings 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 2020. 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 2020

1 Accounting policies (Continued)

Going concern

The company and group continues to perform well with strong order books maintained despite the impacts of COVID-19.

The Coronavirus pandemic has inevitably affected turnover and profits 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 2020. The group has undertaken a trading review up until June 2022 to assess the effects of the pandemic on the business and the ongoing strength and stability of the group. *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 2020 and no external bank borrowings. COVID lockdown 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 2020

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 2020

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 2020

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 2020

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 2020

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 2020

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 2020 the balance was £2,607,640 (2019: £1,890,697). 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 2020, the balance sheet was £1,928,214 (2019: £1,956,912).

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 £12,183,526 (2019: £15,211,327).

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.

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 2020, the balance was £186,860 (2019: £108,244).

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.

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover analysed by class of business		
Sale of goods	12,116,751	15,111,174
Sale of services	66,775	100,153
	<u>12,183,526</u>	<u>15,211,327</u>
	2020 £	2019 £
Other revenue		
Interest income	70	271
Grants received	506,444	-
	<u>506,514</u>	<u>271</u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	5,965,551	8,041,347
Rest of Europe	4,205,223	5,296,343
Rest of World	2,012,752	1,873,637
	<u>12,183,526</u>	<u>15,211,327</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 2020 Number	2019 Number	Company 2020 Number	2019 Number
Production	56	62	22	27
Selling and administration	42	41	16	14
Total	<u>98</u>	<u>103</u>	<u>38</u>	<u>41</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	3,119,369	3,330,464	1,586,727	1,785,585
Social security costs	450,414	488,425	169,433	186,440
Pension costs	86,281	78,564	48,460	41,581
	<u>3,656,064</u>	<u>3,897,453</u>	<u>1,804,620</u>	<u>2,013,606</u>

5 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	396,744	302,246
Company pension contributions to defined contribution schemes	14,700	19,415
Sums paid to third parties for directors' services	-	6,750
	<u>411,444</u>	<u>328,411</u>

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

	2020 £	2019 £
Remuneration for qualifying services	236,089	154,251
Company pension contributions to defined contribution schemes	6,900	7,150
	<u>242,989</u>	<u>161,401</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019: 2).

6 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	5,360	(136,929)
Government grants	(506,444)	-
Depreciation of owned tangible fixed assets	348,993	347,888
Depreciation of tangible fixed assets held under finance leases	48,442	52,642
Profit on disposal of tangible fixed assets	(13,331)	(14,000)
Amortisation of intangible assets	49,108	49,080
Operating lease charges	278,172	270,210
	<u>209,298</u>	<u>562,881</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Auditor's remuneration	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	31,750	31,000
Audit of the financial statements of the company's subsidiaries	23,788	23,088
	<u>55,538</u>	<u>54,088</u>
8 Interest receivable and similar income	2020	2019
	£	£
Interest income		
Interest on bank deposits	-	271
Other interest income	70	-
Total interest revenue	<u>70</u>	<u>271</u>
Other income from investments		
Exchange differences arising on group loans	128,649	141,563
Total income	<u>128,719</u>	<u>141,834</u>
9 Interest payable and similar expenses	2020	2019
	£	£
Interest payable to group undertakings	99,925	109,884
Interest on finance leases and hire purchase contracts	4,484	7,075
Total finance costs	<u>104,409</u>	<u>116,959</u>
10 Taxation	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	82,540	12,957
Adjustments in respect of prior periods	(104,307)	(77,701)
Total UK current tax	<u>(21,767)</u>	<u>(64,744)</u>
Foreign current tax on profits for the current period	17,204	28,078
Total current tax	<u>(4,563)</u>	<u>(36,666)</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	(17,652)	63,537
Changes in tax rates	6,455	-
Adjustment in respect of prior periods	2,233	8,902
Total deferred tax	<u>(8,964)</u>	<u>72,439</u>
Total tax (credit)/charge for the year	<u>(13,527)</u>	<u>35,773</u>

The total tax (credit)/charge 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:

	2020	2019
	£	£
Profit before taxation	<u>590,223</u>	<u>787,676</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	112,142	149,658
Tax effect of expenses that are not deductible in determining taxable profit	32,442	8,709
Adjustments in respect of prior years	(100,677)	(81,769)
Effect of change in corporation tax rate	-	(12,823)
Effect of overseas tax rates	2,436	4,260
Remeasurement of deferred tax for changes in tax rates	(35,409)	-
Deferred tax not recognised and change in tax rates	(10,619)	(32,262)
Group income	<u>(13,842)</u>	<u>-</u>
Taxation (credit)/charge for the year	<u>(13,527)</u>	<u>35,773</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Intangible fixed assets

Group	Goodwill	Software	Patents and licences	Development costs	Customer relationships	Total
	£	£	£	£	£	£
Cost						
At 1 January 2020	169,071	35,016	39,200	51,000	238,478	532,765
Exchange adjustments	9,321	725	-	-	15,682	25,728
At 31 December 2020	178,392	35,741	39,200	51,000	254,160	558,493
Amortisation and impairment						
At 1 January 2020	102,390	29,666	39,200	51,000	121,066	343,322
Amortisation charged for the year	17,748	1,501	-	-	29,859	49,108
Exchange adjustments	-	423	-	-	-	423
At 31 December 2020	120,138	31,590	39,200	51,000	150,925	392,853
Carrying amount						
At 31 December 2020	58,254	4,151	-	-	103,235	165,640
At 31 December 2019	66,681	5,350	-	-	117,412	189,443

Company	Goodwill	Patents and licences	Development costs	Total
	£	£	£	£
Cost				
At 1 January 2020 and 31 December 2020	49,000	39,200	51,000	139,200
Amortisation and impairment				
At 1 January 2020 and 31 December 2020	49,000	39,200	51,000	139,200
Carrying amount				
At 31 December 2019 and 31 December 2020	-	-	-	-

MTI WELDING TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

12 Tangible fixed assets

Group	Freehold land and buildings £	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost							
At 1 January 2020	132,159	192,752	2,817,083	147,162	244,236	232,694	3,766,086
Additions	-	17,937	431	-	28,663	58,292	105,323
Disposals	-	-	(7,732)	-	-	(57,439)	(65,171)
Exchange adjustments	-	2,015	25,447	-	-	-	27,462
At 31 December 2020	132,159	212,704	2,835,229	147,162	272,899	233,547	3,833,700
Depreciation and impairment							
At 1 January 2020	-	139,487	2,025,209	131,927	191,808	153,038	2,641,469
Depreciation charged in the year	-	14,714	306,905	9,813	21,450	44,553	397,435
Eliminated in respect of disposals	-	-	(752)	-	-	(51,740)	(52,492)
Exchange adjustments	-	490	13,207	-	-	-	13,697
At 31 December 2020	-	154,691	2,344,569	141,740	213,258	145,851	3,000,109
Carrying amount							
At 31 December 2020	132,159	58,013	490,660	5,422	59,641	87,696	833,591
At 31 December 2019	132,159	53,265	791,874	15,235	52,428	79,656	1,124,617

MTI WELDING TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

12 Tangible fixed assets (Continued)

Company	Freehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 January 2020	132,159	148,071	1,825,005	89,513	149,514	36,306	2,380,568
Additions	-	17,937	431	-	6,258	-	24,626
Disposals	-	-	-	-	-	(7,496)	(7,496)
At 31 December 2020	<u>132,159</u>	<u>166,008</u>	<u>1,825,436</u>	<u>89,513</u>	<u>155,772</u>	<u>28,810</u>	<u>2,397,698</u>
Depreciation and impairment							
At 1 January 2020	-	133,570	1,401,425	83,437	127,235	31,146	1,776,813
Depreciation charged in the year	-	10,003	170,408	5,586	8,669	5,160	199,826
Eliminated in respect of disposals	-	-	-	-	-	(7,496)	(7,496)
At 31 December 2020	<u>-</u>	<u>143,573</u>	<u>1,571,833</u>	<u>89,023</u>	<u>135,904</u>	<u>28,810</u>	<u>1,969,143</u>
Carrying amount							
At 31 December 2020	<u>132,159</u>	<u>22,435</u>	<u>253,603</u>	<u>490</u>	<u>19,868</u>	<u>-</u>	<u>428,555</u>
At 31 December 2019	<u>132,159</u>	<u>14,501</u>	<u>423,580</u>	<u>6,076</u>	<u>22,279</u>	<u>5,160</u>	<u>603,755</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 £	2019 £	Company 2020 £	2019 £
Plant and equipment	98,324	129,268	-	-
Motor vehicles	9,587	23,528	-	-
	107,911	152,796	-	-

13 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	14	-	-	2,144,068	2,144,068
		-	-	2,144,068	2,144,068

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2020 and 31 December 2020	2,144,068
Carrying amount	
At 31 December 2020	2,144,068
At 31 December 2019	2,144,068

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 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	55.00

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

2. Brnenske nam 2234/6, Kolarovo, Slovakia

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Raw materials and consumables	667,013	697,408	2,152	24,558
Work in progress	483,009	168,476	381,311	87,782
Finished goods and goods for resale	778,192	1,091,028	328,657	569,463
	<u>1,928,214</u>	<u>1,956,912</u>	<u>712,120</u>	<u>681,803</u>

16 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	2,607,640	1,890,697	1,246,452	744,625
Gross amounts owed by contract customers	746,294	2,249,657	592,900	2,249,657
Corporation tax recoverable	27,186	30,846	-	13,321
Amounts owed by group undertakings	27,718	-	27,718	1,345
Other debtors	170,620	227,688	143,371	226,279
Prepayments and accrued income	246,654	179,569	179,181	110,866
	<u>3,826,112</u>	<u>4,578,457</u>	<u>2,189,622</u>	<u>3,346,093</u>

17 Creditors: amounts falling due within one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Obligations under finance leases	19	43,130	78,400	-	-
Payments received on account		-	57,625	-	57,625
Trade creditors		1,825,836	2,041,993	1,295,072	1,370,004
Amounts owed to group undertakings		-	-	-	673,504
Corporation tax payable		82,540	25,927	137	-
Other taxation and social security		246,071	319,292	42,387	37,299
Other creditors		131,432	65,750	1,533	6,682
Accruals and deferred income		490,000	1,040,378	280,707	462,115
		<u>2,819,009</u>	<u>3,629,365</u>	<u>1,619,836</u>	<u>2,607,229</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

18 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Obligations under finance leases	19	27,611	32,434	-	-
Amounts due to group undertakings		3,517,701	3,185,995	3,517,701	3,185,995
Other creditors		-	15,470	-	-
		<u>3,545,312</u>	<u>3,233,899</u>	<u>3,517,701</u>	<u>3,185,995</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 2020 £	2019 £	Company 2020 £	2019 £
Future minimum lease payments due under finance leases:				
Less than one year	43,130	78,400	-	-
Between one and five years	27,611	32,434	-	-
	<u>70,741</u>	<u>110,834</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.

20 Provisions for liabilities

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Warranty provision		186,860	108,244	186,860	108,244
Deferred tax liabilities	21	70,728	78,806	-	-
		<u>257,588</u>	<u>187,050</u>	<u>186,860</u>	<u>108,244</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20 Provisions for liabilities (Continued)

Movements on provisions apart from deferred tax liabilities:

Group	Warranty provision £
At 1 January 2020	108,244
Additional provisions in the year	94,031
Utilisation of provision	(15,415)
At 31 December 2020	<u>186,860</u>

Company	Warranty provision £
At 1 January 2020	108,244
Additional provisions in the year	94,031
Utilisation of provision	(15,415)
At 31 December 2020	<u>186,860</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.

21 Deferred taxation

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

Group	Liabilities 2020 £	Liabilities 2019 £
Accelerated capital allowances	58,739	81,803
Tax losses	(5,256)	(27,276)
Short term timing differences	(2,208)	(3,698)
On business acquisition	19,453	27,977
	<u>70,728</u>	<u>78,806</u>

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

21 Deferred taxation (Continued)

	Liabilities 2020 £	Liabilities 2019 £
Company		
Accelerated capital allowances	6,525	27,901
Tax losses	(5,256)	(27,276)
Short term timing differences	(1,269)	(625)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

The company has no deferred tax assets or liabilities.

	Group 2020 £	Company 2020 £
Movements in the year:		
Liability at 1 January 2020	78,806	-
Credit to profit or loss	(8,078)	-
	<u>70,728</u>	<u>-</u>
	<u><u>70,728</u></u>	<u><u>-</u></u>

The company has tax losses amounting to £1,844,700 (2019: £1,844,818). The deferred tax asset in respect of these items is £350,493 (2019: £313,619). £5,256 (2019: £27,276) has been recognised in the financial statements, the remaining balance of £345,237 (2019: £286,343) 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 £5,256 (2019: £27,276) 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 £58,739 (2019: £81,803) 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 £19,453 (2019: £27,977) is expected to reverse within 6 years and relates to fair value uplift on acquisition of Prospot SK.

22 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	86,281	78,564
	<u>86,281</u>	<u>78,564</u>

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 £1,533 (2019: £6,683) were payable to the fund at the year end and are included in creditors.

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Share capital

	Group and Company			
	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
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>

In the previous year on 20 December 2019, the company issued 1,500,000 ordinary shares with a nominal value of £1 each at par.

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

24 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital contribution 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.

Profit and loss reserves

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

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Cash generated from group operations

	2020	2019
	£	£
Profit for the year after tax	603,750	751,903
Adjustments for:		
Taxation (credited)/charged	(13,527)	35,773
Finance costs	104,409	116,959
Investment income	(128,719)	(141,834)
Gain on disposal of tangible fixed assets	(13,331)	(14,000)
Amortisation and impairment of intangible assets	49,108	49,080
Depreciation and impairment of tangible fixed assets	397,435	400,530
Foreign exchange	14,772	-
Increase in provisions	78,616	8,761
Movements in working capital:		
Decrease/(increase) in stocks	28,698	(191,189)
Decrease/(increase) in debtors	748,685	(616,788)
(Decrease)/increase in creditors	(847,169)	181,801
Cash generated from operations	<u>1,022,727</u>	<u>580,996</u>

26 Analysis of changes in net debt - group

	1 January 2020	Cash flows	Non-cash movements	31 December 2020
	£	£	£	£
Cash at bank and in hand	1,516,820	1,265,453	-	2,782,273
Amounts due to group undertakings	(3,185,995)	(460,355)	128,649	(3,517,701)
Obligations under finance leases	(110,834)	40,093	-	(70,741)
	<u>(1,780,009)</u>	<u>845,191</u>	<u>128,649</u>	<u>(806,169)</u>

Non-cash movements totalling £128,649 on exchange differences arising on group loans (note 8).

27 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 2020

28 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:

	Group	2019	Company	2019
	2020	2019	2020	2019
	£	£	£	£
Within one year	214,149	247,585	130,832	155,430
Between one and five years	343,206	783,489	163,540	505,148
	<u>557,355</u>	<u>1,031,074</u>	<u>294,372</u>	<u>660,578</u>

29 Related party transactions

Transactions with related parties

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

	Sale of services			
	2020	2019	2020	2019
	£	£	£	£
Group				
Other group companies	2,065	-	<u>2,065</u>	<u>-</u>
	2020	2019	2020	2019
	£	£	£	£
Group				
Other group companies	121,504	135,305	-	-
Other related parties	-	-	-	80,775
	<u>121,504</u>	<u>135,305</u>	<u>-</u>	<u>80,775</u>

The following amounts were outstanding at the reporting end date:

	2020	2019
	£	£
Amounts due to related parties		
Group		
Other group companies	391	4,919
	<u>391</u>	<u>4,919</u>

Other information

Other related parties relates to companies owned by a director.

Amounts owed to other group companies relates to subsidiary companies that are not 100% owned.

During the year, dividends totalling £132,459 (2019: £Nil) were paid from a subsidiary company that is not 100% owned. 55% of these dividends totalling £72,853 (2019: £Nil) are eliminated on consolidation.

MTI WELDING TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Controlling party

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

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