

Registration number: 2984345

Apex Tool Group (UK Operations) Limited

Report and Financial Statements

for the year ended 31 December 2020



Apex Tool Group (UK Operations) Limited
Registration number :2984345

Company Information

Directors I J Garrett
J R Raskin

Company secretary TMF Corporate Administration Services Limited

Registered office Piccadilly
Tamworth
Staffordshire
B78 2ER

Solicitors Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Bankers Bank of America N.A.
2 King Edward Street
London
EC1A 1HQ

Auditor Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

Apex Tool Group (UK Operations) Limited
Registration number :2984345

Strategic Report

for the year ended 31 December 2020

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

Principal activities

The principal activities of the company are the sale of hand tools and soldering equipment for the electronics, electrical and other engineering industries and the manufacture and sale of precision engineering tools.

Review of the business

Sales in the precision tools business decreased 21% compared to 2019 due to the impact of the Covid pandemic with the majority of the impact in quarters 2 & 3. Order intake returned to pre-pandemic levels in quarter 4. Whilst the business utilised the government furlough scheme where appropriate, gross profit margin remained steady at 21% compared to 2019. Commissions from the hand tool and electronic equipment division decreased by 23% in 2020 due to a reduction in sales volume driven by the pandemic.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Turnover (exc. commission income)	£000	3,783	4,816
Gross profit (exc. commission income)	£000	788	960
Gross profit margin (exc. commission income)	%	21	20
Commission income	£000	943	1,223
Profit after tax	£000	925	587
Average number of employees	No.	62	79

Principal risks and uncertainties

Competitive risks

The company operates in competitive markets but the directors feel that since the turnover of the company is spread over multiple product lines and geographical regions there is minimal risk. The continuous process improvement approach to operations allows the business to adapt quickly to changes in levels of activity or competitive pressures to ensure it remains competitive. Where appropriate tools such as policy deployment and kaizens are used as management tools.

Legislative risks

The company has processes in place that ensure compliance with legislation.

Price risk, credit risk, liquidity risk and cash flow risk

The directors believe the company has sufficient funds available to withstand any difficulties that may arise in the next 12 months. The business is currently in a strong financial position and is able to meet its debts as they become due. Whilst the business is involved in many geographical areas, there are processes in place to ensure that the company is not exposed to undue currency risk. These processes include monitoring foreign currency exposure and matching of foreign currency payable and receivable balances where appropriate.

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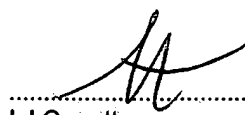
Strategic Report
for the year ended 31 December 2020 (continued)

Principle risks and uncertainties (continued)

Exit from the European Union

The United Kingdom left the European Union at the end of January 2020 with a transition period which ended in December 2020. The EU-UK Trade and Cooperation Agreement (Brexit deal) was signed on 30 December 2020 and is effective from 1 January 2021. The deal imposes additional rules and regulations to govern the transfer of goods and services between the United Kingdom and European Union. This is likely to lead to an increase in costs and administrative requirements of trading with the European Union.

Approved by the Board on 25/11/21 and signed on its behalf by:


.....
I J Garrett
Director

Apex Tool Group (UK Operations) Limited
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Directors' Report

for the year ended 31 December 2020

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

Disclosure requirements

In accordance with the Companies Act 2006, section 414C(11), the Strategic Report contains certain disclosures required in the Directors' Report.

Directors of the company

The directors who held office during the year, and subsequently, were as follows:

I J Garrett

J R Raskin

Dividends

The directors do not recommend the payment of a dividend (2019 - £nil).

Going concern

The directors have considered going concern in preparing these financial statements.

A cash-flow forecast has been prepared for the period of 12 months. This forecast demonstrates that the company has sufficient liquidity to meet liabilities as they fall due during the period. However, due to ongoing uncertainty from the COVID-19 pandemic, and the reliance of the company on the group cash pool and for the intercompany loan not to be recalled, the directors have received a letter of support from Apex Tool Group Inc. The directors have confirmed the ability of Apex Tool Group Inc. to provide this support, including reverse stress testing which show that no possible scenario results in a challenge to liquidity of the group or a breach of covenants. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Future developments

The company's business operations continued to be impacted by the Covid-19 pandemic in quarters 1 and 2 of 2021. However, the steps to mitigate potential impacts to the health and safety of employees, customers and suppliers, and operation of our business has been successful with only limited disruption to operations.

In March 2021 the company took the decision to remove low margin thread gauges from our product line in order to improve overall profitability of the business.

The Board are confident that as economic activity returns, the business will see improved financial performance and the upward path of revenue and profits will be resumed.

Directors' liabilities

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Apex Tool Group (UK Operations) Limited
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Directors' Report

for the year ended 31 December 2020 (continued)

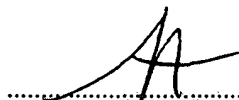
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 25/11/21 and signed on its behalf by:


.....
I J Garrett
Director

Apex Tool Group (UK Operations) Limited
Registration number :2984345

Statement of Directors' Responsibilities
for the year ended 31 December 2020

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

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

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

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

Independent Auditor's Report

to the Members of Apex Tool Group (UK Operations) Limited

Opinion

We have audited the financial statements of Apex Tool Group (UK Operations) Limited (the 'company') for the year ended 31 December 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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 director's 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 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, through to the end of November 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 there is 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 the other information, we are required to report that fact.

Independent Auditor's Report

to the Members of Apex Tool Group (UK Operations) Limited (continued)

We have nothing to report in this regard.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities (set out on page 6), 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 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report

to the Members of Apex Tool Group (UK Operations) Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

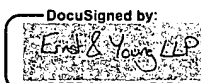
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant to be those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety, environmental regulations and furlough regulations. We understood how Apex Tool Group (UK Operations) Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas and the entity level controls in place. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and in internal discussions. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the processes and controls that the Company has established to address identified risks, or that otherwise prevent or detect fraud and how senior management monitors those processes and controls. We determined there to be a risk of management override in relation to manual journals to revenue. To address the risk of management override, we have used data analytics and obtained the entire population of journals for the year and identified specific transactions for further investigation using criteria such as nature of manual entries passed at the year end and whether any journal entries passed by directors during the year.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and agreement of samples of transactions throughout the audit to supporting source documentation.

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

DocuSigned by:


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Adam Gittens (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

November 25, 2021
Date:.....

Apex Tool Group (UK Operations) Limited
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Profit and Loss Account
for the year ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	4,726	6,039
Cost of sales		<u>(2,995)</u>	<u>(3,856)</u>
Gross profit		1,731	2,183
Administrative expenses		(758)	(1,372)
Other operating income	4	<u>278</u>	<u>-</u>
Operating profit	5	1,251	811
Interest payable and similar expenses	9	<u>(91)</u>	<u>(97)</u>
Profit before tax		1,160	714
Taxation	10	<u>(235)</u>	<u>(127)</u>
Profit for the financial year		<u>925</u>	<u>587</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income

The company has no other income for the current or prior year other than that shown above, therefore no separate Statement of Comprehensive Income has been presented.

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Balance Sheet

for the year ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	1,495	1,742
		<u>1,495</u>	<u>1,742</u>
Current assets			
Stocks	13	307	310
Debtors	14	11,567	11,630
Cash at bank and in hand		345	675
		<u>12,219</u>	<u>12,615</u>
Creditors: Amounts falling due within one year	15	(841)	(2,395)
Net current assets		<u>11,378</u>	<u>10,220</u>
Total assets less current liabilities		12,873	11,962
Provisions for liabilities	10	(76)	(90)
Net assets		<u>12,797</u>	<u>11,872</u>
Capital and reserves			
Called up share capital	16	790	790
Share premium reserve	17	172	172
Profit and loss account	17	11,835	10,910
Total equity		<u>12,797</u>	<u>11,872</u>

The financial statements were approved and authorised by the Board on 25/11/21 and signed on its behalf by:


I J Garrett
Director

Apex Tool Group (UK Operations) Limited
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Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital	Share premium	Profit and loss account	Total
	£ 000	£ 000	£ 000	£ 000
At 1 January 2020	790	172	10,910	11,872
Profit for the year	-	-	925	925
At 31 December 2020	<u>790</u>	<u>172</u>	<u>11,835</u>	<u>12,797</u>
	Share capital	Share premium	Profit and loss account	Total
	£ 000	£ 000	£ 000	£ 000
At 1 January 2019	790	172	10,323	11,285
Profit for the year	-	-	587	587
At 31 December 2019	<u>790</u>	<u>172</u>	<u>10,910</u>	<u>11,872</u>

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Statement of Cash Flows
for the year ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit for the year		925	587
Adjustments to cash flows from non-cash items			
Depreciation	5	276	265
Finance costs	9	91	97
Income tax expense	10	235	127
		<u>1,527</u>	<u>1,076</u>
Working capital adjustments			
Decrease/(increase) in stocks	13	3	(19)
(Increase)/decrease in debtors	14	(303)	613
Decrease in creditors	15	(75)	(2,003)
Cash generated from operations		<u>1,152</u>	<u>(333)</u>
Income taxes paid		<u>(28)</u>	<u>(132)</u>
Net cash flow from operating activities		<u>1,124</u>	<u>(465)</u>
Cash flows from investing activities			
Acquisitions of tangible assets	12	(29)	(76)
Cash receipts from repayment of loans, classified as investing activities	14, 20	<u>350</u>	<u>-</u>
Net cash flows from investing activities		<u>321</u>	<u>(76)</u>
Cash flows from financing activities			
Interest paid		(273)	-
Repayment of other borrowing		<u>(1,502)</u>	<u>(73)</u>
Net cash flows from financing activities	20	<u>(1,775)</u>	<u>(73)</u>
Net decrease in cash and cash equivalents		(330)	(614)
Cash and cash equivalents at 1 January		<u>675</u>	<u>1,289</u>
Cash and cash equivalents at 31 December		<u>345</u>	<u>675</u>

The notes on pages 14 to 28 form an integral part of these financial statements.
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Apex Tool Group (UK Operations) Limited
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Notes to the Financial Statements *for the year ended 31 December 2020*

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:

Piccadilly
Tamworth
Staffordshire
B78 2ER

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in pound sterling. The company's functional and presentation currency is the pound sterling.

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are not considered to be any significant areas of estimation for the company, nor judgements, in the preparation of these financial statements.

Going concern

The directors have considered going concern in preparing these financial statements. A cash-flow forecast has been prepared for the period of 12 months. This forecast demonstrates that the company has sufficient liquidity to meet liabilities as they fall due during the period. However, due to ongoing uncertainty from the COVID-19 pandemic, and the reliance of the company on the group cash pool and for the intercompany loan not to be recalled, the directors have received a letter of support from Apex Tool Group Inc. The directors have confirmed the ability of Apex Tool Group Inc. to provide this support, including reverse stress testing which show that no possible scenario results in a challenge to liquidity of the group or a breach of covenants. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Apex Tool Group (UK Operations) Limited
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Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which normally occurs on delivery.

Revenue from commission sales is recognised when it is receivable in accordance with the contractual arrangement between the two group parties.

Revenue in respect of interest income is recognised as interest accrues on cash deposits or on amounts loaned to fellow group companies.

Government grants

Government grants relating to the Coronavirus Job Retention Scheme (CJRS) have been received during the year in respect of employee costs incurred for furloughed staff. The grants have been recognised as income of the company based on an accruals model. Grants related to income are presented as part of profit or loss as 'Other income'.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Non-monetary items measured in terms of historical cost purchase in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Apex Tool Group (UK Operations) Limited
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Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	40 years straight line basis
Fixtures, fittings, plant and machinery	4 to 15 years straight line basis
Assets in the course of construction	0% until brought into operational use
Freehold land	not depreciated

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill is capitalised on the balance sheet and amortised in line with the remaining useful economic life of the plant and machinery to which it relates.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Negative goodwill	3 years straight line basis

Impairment of assets

At each reporting date non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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Notes to the Financial Statements

for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Apex Tool Group (UK Operations) Limited
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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020	2019
	£ 000	£ 000
Sale of goods	3,783	4,816
Commissions received	943	1,223
	<u>4,726</u>	<u>6,039</u>

The analysis of the company's turnover for the year by market is as follows:

	2020	2019
	£ 000	£ 000
UK	598	936
Europe	2,176	2,700
Rest of world	1,952	2,403
	<u>4,726</u>	<u>6,039</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020	2019
	£ 000	£ 000
Government grants	<u>278</u>	<u>-</u>

The company received grant income, in respect of certain furloughed employees, from the UK Government during the year under the Coronavirus Job Retention Scheme (CJRS).

5 Operating profit

Arrived at after charging/(crediting):

	2020	2019
	£ 000	£ 000
Depreciation expense	276	265
Foreign exchange (gains)/losses	(578)	549
Operating lease expense - plant and machinery	<u>53</u>	<u>72</u>

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

6 Auditor's remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	<u>33</u>	<u>33</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	2,431	2,514
Social security costs	296	277
Pension costs, defined contribution scheme	<u>106</u>	<u>114</u>
	<u>2,833</u>	<u>2,905</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Production	48	64
Office and management	<u>14</u>	<u>15</u>
	<u>62</u>	<u>79</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	89	94
Contributions paid to money purchase schemes	<u>10</u>	<u>10</u>
	<u>99</u>	<u>104</u>

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Notes to the Financial Statements
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8 Directors' remuneration (continued)

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

Directors' emoluments for certain directors have been borne by another group company. These directors are also directors or officers of a number of companies within the Apex Tool Group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the current or prior year.

9 Interest payable and similar charges

	2020 £ 000	2019 £ 000
Interest payable on loans from group undertakings	<u>91</u>	<u>97</u>

10 Taxation

Tax charged in the profit and loss account

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	<u>249</u>	<u>161</u>
Total current income tax	<u>249</u>	<u>161</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(26)	(21)
Impact of changes in tax rate	11	(13)
Adjustment to prior period	<u>1</u>	<u>-</u>
Total deferred taxation	<u>(14)</u>	<u>(34)</u>
Tax expense in the profit and loss account	<u>235</u>	<u>127</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

10 Taxation (continued)

	2020 £ 000	2019 £ 000
Profit before tax	1,160	714
Corporation tax at standard rate	220	136
Expenses not deductible	3	2
Impact of changes in tax rate	11	(13)
Adjustment to prior period	1	2
Total tax charge	235	127

The tax rate for the current year is the same as the prior year.

Deferred tax

The deferred tax movement in the year was as follows:

	2020 £ 000	2019 £ 000
As at 1 January	90	124
Movement in the year	(14)	(34)
Deferred tax liability at 31 December	76	90

The deferred tax liability at the balance sheet date of £76,000 (2019 - £90,000) comprises of the following:

	Asset £ 000	Liability £ 000
2020		
Accelerated tax depreciation	-	100
Other timing differences	24	-
	24	100
2019		
Accelerated tax depreciation	-	114
Other timing differences	24	-
	24	114

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

10 Taxation (continued)

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred tax at the balance sheet date has been measured at the enacted rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

11 Intangible assets

	Negative Goodwill £ 000
Cost	
At 1 January 2020 and 31 December 2020	(222)
Amortisation	
At 1 January 2020 and 31 December 2020	(222)
Carrying amount	
At 1 January 2019 and 31 December 2020	-

The negative goodwill relates to the acquisition of the trade and assets of Spline Gauges (formerly a division of Danaher UK Industries Limited).

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

12 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost				
At 1 January 2020	613	2,861	19	3,493
Additions	5	24	-	29
Transfers	-	19	(19)	-
At 31 December 2020	618	2,904	-	3,522
Depreciation				
At 1 January 2020	66	1,685	-	1,751
Charge for the year	11	265	-	276
At 31 December 2020	77	1,950	-	2,027
Carrying amount				
At 31 December 2020	541	954	-	1,495
At 31 December 2019	547	1,176	19	1,742

Included within the carrying amount of land and buildings above is £541,000 (2019 - £547,000) in respect of freehold land and buildings. The carrying value of land which is not depreciated is £350,000 (2019 - £350,000).

13 Stocks

	2020 £ 000	2019 £ 000
Raw materials and consumables	98	51
Work in progress	185	175
Finished goods and goods for resale	24	84
	307	310

Impairment of stocks

The impairment loss is included in Cost of sales. The amount of reversal of impairment recognised in profit or loss is £62,000 (2019 - £11,000).

In the opinion of the directors, there is no material difference between the carrying value of stock and the replacement cost.

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

14 Debtors

	Note	2020 £ 000	2019 £ 000
Trade debtors		594	755
Amounts owed by group undertakings	20	10,883	10,415
Loans to group undertakings	20	-	350
Prepayments		90	94
Corporation tax recoverable		-	16
		<u>11,567</u>	<u>11,630</u>

All amounts owed by group undertakings in the current and prior year are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The loan to group undertakings of £350,000 was repaid in full during the year.

Trade debtors are stated after provisions for impairment of £nil (2019 - £nil).

15 Creditors

	Note	2020 £ 000	2019 £ 000
Due within one year			
Trade creditors		191	301
Amounts due to group undertakings	20	14	12
Loans due to group undertakings	20	-	1,684
Corporation tax liability		205	-
Social security and other taxes		44	70
Other creditors		17	18
Accruals		370	310
		<u>841</u>	<u>2,395</u>

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

The loan due to group undertakings was repaid in full during the year.

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

16 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
789,626 Ordinary shares of £1 each	790	790	790	790

Rights, preferences and restrictions

There are no restrictions on the distribution of dividends and the repayment of capital.

17 Reserves

Called up share capital

Called-up share capital represents the nominal value of shares that have been issued.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

Share premium

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

18 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020 £ 000	2019 £ 000
Not later than one year	51	63
Later than one year and not later than five years	15	38
	<u>66</u>	<u>101</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £53,000 (2019 - £72,000).

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £106,000 (2019 - £114,000).

Contributions totalling £17,000 (2019 - £18,000) were payable to the scheme at the end of the year and are included in creditors.

20 Related party transactions

Key management compensation

	2020 £ 000	2019 £ 000
Salaries and other short term employee benefits	89	154
Post-employment benefits	10	12
	<u>99</u>	<u>166</u>

Summary of transactions with other related parties

The company has a number of trading relationships in place with fellow group undertakings within the Apex Tool Group which result in sales and purchase transactions throughout the year. In addition, loans are received from fellow group undertakings. Details of the transactions in the year and the outstanding balances at the year end are given below. All balances are repayable on demand.

Income and receivables from related parties

	Fellow group undertakings £ 000
2020	
Sale of goods	1,285
Amounts receivable from related party	<u>10,883</u>

The amount receivable from related parties of £10,883,000 includes £10,251,000 in respect of a group cash pooling arrangement and £632,000 in respect of trading activities.

	Fellow group undertakings £ 000
2019	
Sale of goods	1,512
Amounts receivable from related party	<u>10,415</u>

The amount receivable from related parties of £10,415,000 includes £9,800,000 in respect of a group cash pooling arrangement and £615,000 in respect of trading activities.

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Notes to the Financial Statements
for the year ended 31 December 2020 (continued)

20 Related party transactions (continued)

Expenditure with and payables to related parties

	Fellow group undertakings £ 000
2020	
Purchase of goods	13
Amounts payable to related party	14
	Fellow group undertakings £ 000
2019	
Purchase of goods	11
Amounts payable to related party	12

Loans to related parties

	2020 £ 000	2019 £ 000
At start of period	350	350
Repaid	(350)	-
At end of period	-	350

Terms of loans to related parties

The loan to Apex Tool Group BV is unsecured, interest free, and was fully repaid during the year.

Loans from related parties

	Fellow group undertakings 2020 £ 000	2019 £ 000
At start of period	1,684	1,660
Repaid	(1,775)	(73)
Interest transactions	91	97
At end of period	-	1,684

Terms of loans from related parties

The loan advanced in the current and prior year carries interest of 7% per annum and was fully repaid during the year. The repayment of £1,775,000 comprises of the principal amount of £1,502,000 and rolled up interest of £273,000.

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Notes to the Financial Statements
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21 Financial instruments

The company does not have any assets or liabilities that are measured at fair value at the current or prior balance sheet date.

	2020 £ 000	2019 £ 000
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	594	755
Amounts owed by group undertakings	10,883	10,415
Loans to group undertakings	-	350
Prepayments	90	94
Cash in hand and at bank	345	675
Corporation tax recoverable	-	16
	<u>11,912</u>	<u>12,305</u>
	2020 £ 000	2019 £ 000
Financial liabilities measured at amortised cost		
Trade creditors	191	301
Amounts due to group undertakings	14	12
Loans due from group undertakings	-	1,684
Corporation tax liability	205	-
Social security and other taxes	44	70
Other creditors	17	18
Accruals	370	310
	<u>841</u>	<u>2,395</u>

Items of income, expense, gains or losses

The total interest expense for financial liabilities not measured at fair value through profit or loss is £91,000 (2019 - £97,000).

22 Parent and ultimate parent undertaking

The company's immediate parent is Apex Tool Group B.V., incorporated in the Netherlands. The registered office address is Phileas Foggstraat 16, Emmen, The Netherlands.

The ultimate parent is Bain Capital, LP, incorporated in the USA, whose registered office is 200 Clarendon Street, Boston, MA 02116, USA.