

REGISTERED NUMBER: 08403986 (England and Wales)

**GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
FOR
APEX STAINLESS HOLDINGS LIMITED**

Harrison Beale & Owen Limited
Chartered Accountants and Statutory Auditors
15 Queens Road
Coventry
CV1 3DE

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APEX STAINLESS HOLDINGS LIMITED

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for the year ended 31 December 2014

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APEX STAINLESS HOLDINGS LIMITED

COMPANY INFORMATION
for the year ended 31 December 2014

DIRECTORS:

P R Lower
M P Lower
E R Lower

REGISTERED OFFICE:

20 Somers Road
Rugby
Warwickshire
CV22 7DH

REGISTERED NUMBER:

08403986 (England and Wales)

AUDITORS:

Harrison Beale & Owen Limited
Chartered Accountants and Statutory Auditors
15 Queens Road
Coventry
CV1 3DE

APEX STAINLESS HOLDINGS LIMITED

GROUP STRATEGIC REPORT for the year ended 31 December 2014

The directors present their strategic report of the company and the group for the year ended 31 December 2014.

REVIEW OF BUSINESS

The directors consider the group to have performed satisfactorily in the period under review with solid revenues, profits and cashflow being generated, in spite of adverse circumstances in the wider market in which the group operates. Of most significance was the relative decline in nickel prices in the second half of 2014, which has a direct impact on stock replacement costs and resale values.

The group's strategy has generally been to try and preserve market share and profitability through minimising the impact of any inherent volatility in pricing, which involves a significant investment in working capital, amongst other strategies.

In the year under review, the directors are pleased to report that they consider the group to have largely succeeded in the implementation of this strategy and believe the group and company are well placed to continue trading profitably in 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's principal exposure to risks are through pricing volatility, both within the products purchased and resold, which is linked to the overall market in nickel price; and through exposure to fluctuations in foreign exchange rates.

The group has strategies to minimise the exposure to these risks which involve continued scrutiny of pricing and rates of exchange; management of its purchase cycle and stock levels; and a pricing policy to preserve its market share.

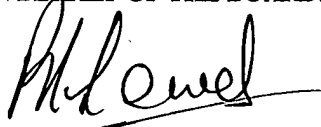
FUTURE DEVELOPMENTS

The group's immediate strategy for 2015 and beyond is to maintain its market share and profitability.

In the longer term, the group's strategy is growth and the directors have begun to put measures in place to try and expand the markets in which it operates in order to achieve this.

As the group is soundly financed and has historically made profits and generated cash, the directors believe the group and company will trade profitably again in 2015. As such, the directors believe the group and company to be a going concern and have adopted this assumption in preparing the financial statements.

ON BEHALF OF THE BOARD:



P R Lower - Director

12 May 2015

APEX STAINLESS HOLDINGS LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 2014

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of a holding company in a group of stockholders, manufacturers and distributors of fasteners.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2014.

DIRECTORS

The directors during the year under review were:

P R Lower
M P Lower
E R Lower

The beneficial interests of the directors holding office on 31 December 2014 in the issued share capital of the company were as follows:

| | 31.12.14 | 1.1.14 |
|---------------------------|----------|--------|
| Ordinary £1 shares | | |
| P R Lower | 5,000 | 16,000 |
| M P Lower | 16,000 | 16,000 |
| E R Lower | 16,000 | 16,000 |

DISCLOSURE IN THE STRATEGIC REPORT

Information on the Group's review of the business, principal risks and uncertainties and future developments is not shown in the directors' report as it is shown in the Group strategic report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 the group 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

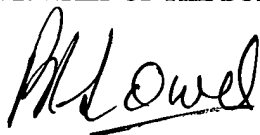
APEX STAINLESS HOLDINGS LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2014

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'P R Lower', written over a horizontal line.

P R Lower - Director

12 May 2015

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
APEX STAINLESS HOLDINGS LIMITED**

We have audited the financial statements of Apex Stainless Holdings Limited for the year ended 31 December 2014 on pages six to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2014 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 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.

Harrison Beale & Owen Limited

Wayne Gutteridge ACA (Senior Statutory Auditor)
for and on behalf of Harrison Beale & Owen Limited
Chartered Accountants and Statutory Auditors
15 Queens Road
Coventry
CV1 3DE

Date: 12 May 2015

APEX STAINLESS HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014**

| | | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|--|-------|--------------------------------------|---|
| | Notes | | |
| TURNOVER | 2 | 23,560,798 | 14,496,067 |
| Cost of sales | | <u>13,928,507</u> | <u>8,983,661</u> |
| GROSS PROFIT | | 9,632,291 | 5,512,406 |
| Administrative expenses | | <u>5,021,752</u> | <u>3,273,486</u> |
| | | 4,610,539 | 2,238,920 |
| Other operating income | | <u>-</u> | <u>1,478,187</u> |
| OPERATING PROFIT | 4 | 4,610,539 | 3,717,107 |
| Interest receivable and similar income | | <u>24,065</u> | <u>19,780</u> |
| | | 4,634,604 | 3,736,887 |
| Interest payable and similar charges | 6 | <u>308,944</u> | <u>244,440</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 4,325,660 | 3,492,447 |
| Tax on profit on ordinary activities | 7 | <u>922,033</u> | <u>453,261</u> |
| PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP | | <u>3,403,627</u> | <u>3,039,186</u> |

CONTINUING OPERATIONS

The group's activities were acquired in the previous period and are continuing in the current year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current year or previous period.

The notes form part of these financial statements

APEX STAINLESS HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
31 December 2014

| | Notes | 2014 | 2013 |
|--|-------|--------------------------|-------------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Intangible assets | 9 | 323,958 | 421,145 |
| Tangible assets | 10 | 227,615 | 226,649 |
| Investments | 11 | - | - |
| | | <u>551,573</u> | <u>647,794</u> |
| CURRENT ASSETS | | | |
| Stocks | 12 | 10,611,706 | 9,789,824 |
| Debtors | 13 | 5,042,992 | 4,762,472 |
| Cash at bank and in hand | | 3,170,461 | 2,569,933 |
| | | <u>18,825,159</u> | <u>17,122,229</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | 4,407,897 | 3,911,628 |
| | | <u>4,407,897</u> | <u>3,911,628</u> |
| NET CURRENT ASSETS | | <u>14,417,262</u> | <u>13,210,601</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>14,968,835</u> | <u>13,858,395</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 15 | 2,928,000 | 5,124,000 |
| | | <u>2,928,000</u> | <u>5,124,000</u> |
| NET ASSETS | | <u><u>12,040,835</u></u> | <u><u>8,734,395</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 72,000 | 72,000 |
| Other reserves | 19 | 5,526,022 | 5,623,209 |
| Profit and loss account | 19 | 6,442,813 | 3,039,186 |
| | | <u>12,040,835</u> | <u>8,734,395</u> |
| SHAREHOLDERS' FUNDS | 23 | <u><u>12,040,835</u></u> | <u><u>8,734,395</u></u> |

The financial statements were approved by the Board of Directors on 12 May 2015 and were signed on its behalf by:



P R Lower - Director

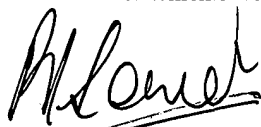
The notes form part of these financial statements

APEX STAINLESS HOLDINGS LIMITED

COMPANY BALANCE SHEET
31 December 2014

| | Notes | 2014 | 2013 |
|--|-------|-------------------------|-------------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Intangible assets | 9 | - | - |
| Tangible assets | 10 | - | - |
| Investments | 11 | 19,146,600 | 19,146,600 |
| | | <u>19,146,600</u> | <u>19,146,600</u> |
| CURRENT ASSETS | | | |
| Cash at bank | | 640,639 | 956,704 |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | 1,514,457 | 1,522,772 |
| NET CURRENT LIABILITIES | | <u>(873,818)</u> | <u>(566,068)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>18,272,782</u> | <u>18,580,532</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 15 | 9,028,000 | 11,224,000 |
| NET ASSETS | | <u><u>9,244,782</u></u> | <u><u>7,356,532</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 72,000 | 72,000 |
| Other reserves | 19 | 5,688,000 | 5,688,000 |
| Profit and loss account | 19 | 3,484,782 | 1,596,532 |
| SHAREHOLDERS' FUNDS | 23 | <u><u>9,244,782</u></u> | <u><u>7,356,532</u></u> |

The financial statements were approved by the Board of Directors on 12 May 2015 and were signed on its behalf by:



P R Lower - Director

The notes form part of these financial statements

APEX STAINLESS HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2014

| | | Year ended 31.12.14 | Period 14.2.13 to 31.12.13 |
|--|-------|------------------------|-------------------------------|
| | Notes | £ | £ |
| Net cash inflow from operating activities | 1 | 4,032,399 | 2,311,227 |
| Returns on investments and servicing of finance | 2 | (284,879) | (224,660) |
| Taxation | | (844,714) | (629,842) |
| Capital expenditure | 2 | (87,636) | (84,452) |
| Acquisitions and disposals | 2 | - | 1,971,919 |
| | | <u>2,815,170</u> | <u>3,344,192</u> |
| Financing | 2 | (2,214,642) | (774,259) |
| Increase in cash in the period | | <u>600,528</u> | <u>2,569,933</u> |
| <hr/> | | | |
| Reconciliation of net cash flow to movement in net debt | 3 | | |
| Increase in cash in the period | | 600,528 | 2,569,933 |
| Cash outflow/(inflow) from decrease/(increase) in debt | | <u>2,196,000</u> | <u>(6,588,000)</u> |
| Change in net debt resulting from cash flows | | <u>2,796,528</u> | <u>(4,018,067)</u> |
| Movement in net debt in the period | | <u>2,796,528</u> | <u>(4,018,067)</u> |
| Net debt at 1 January | | <u>(4,018,067)</u> | <u>-</u> |
| Net debt at 31 December | | <u>(1,221,539)</u> | <u>(4,018,067)</u> |

The notes form part of these financial statements

APEX STAINLESS HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2014**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|--|-----------------------------|--|
| Operating profit | 4,610,539 | 3,717,107 |
| Depreciation charges | 97,399 | 64,826 |
| Profit on disposal of fixed assets | (10,729) | (749) |
| Increase in stocks | (821,882) | (1,413,429) |
| (Increase)/decrease in debtors | (280,520) | 644,964 |
| Increase/(decrease) in creditors | 437,592 | (701,492) |
| Net cash inflow from operating activities | 4,032,399 | 2,311,227 |

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|---|-----------------------------|--|
| Returns on investments and servicing of finance | | |
| Interest received | 24,065 | 19,780 |
| Interest paid | (308,944) | (244,440) |
| Net cash outflow for returns on investments and servicing of finance | (284,879) | (224,660) |
| Capital expenditure | | |
| Purchase of tangible fixed assets | (98,369) | (85,952) |
| Sale of tangible fixed assets | 10,733 | 1,500 |
| Net cash outflow for capital expenditure | (87,636) | (84,452) |
| Acquisitions and disposals | | |
| Payments to acquire subsidiary | - | (6,066,600) |
| Cash acquired from subsidiary | - | 8,038,519 |
| Net cash inflow for acquisitions and disposals | - | 1,971,919 |
| Financing | | |
| Loan repayments in period | (2,196,000) | (732,000) |
| Amount withdrawn by directors | (18,642) | (42,259) |
| Net cash outflow from financing | (2,214,642) | (774,259) |

The notes form part of these financial statements

APEX STAINLESS HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2014**

3. ANALYSIS OF CHANGES IN NET DEBT

| | At 1.1.14 £ | Cash flow £ | At 31.12.14 £ |
|-----------------------------------|--------------------|------------------|---------------------|
| Net cash: | | | |
| Cash at bank and in hand | 2,569,933 | 600,528 | 3,170,461 |
| | <u>2,569,933</u> | <u>600,528</u> | <u>3,170,461</u> |
| Debt: | | | |
| Debts falling due within one year | (1,464,000) | - | (1,464,000) |
| Debts falling due after one year | (5,124,000) | 2,196,000 | (2,928,000) |
| | <u>(6,588,000)</u> | <u>2,196,000</u> | <u>(4,392,000)</u> |
| Total | <u>(4,018,067)</u> | <u>2,796,528</u> | <u>(1,221,539)</u> |

The notes form part of these financial statements

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2014

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The accounts have been prepared in accordance with applicable accounting standards. The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year.

Accounting convention

The financial statements have been prepared under the historical cost convention.

As at 31 December 2014, the company had net current liabilities of £873,818. Included within creditors due within one year are amounts due to Mr P R Lower, director, in respect of deferred loan notes of £1,464,000.

The loan notes are repayable over a remaining term of 3 years and the company has a pledge of support from its directors, who are also the directors of the company's subsidiary undertaking, to ensure such amounts are settled without any adverse effect on the company's continued ability to trade or repay its debts as they fall due.

As such, the directors consider the company to be a going concern and the financial statements have been prepared on this basis.

Basis of consolidation

The group financial statements consolidate the financial statements of Apex Stainless Holdings Limited and its subsidiary undertaking drawn up to 31 December each year, after eliminating all intercompany balances and transactions, using the acquisition method of accounting. The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Turnover

Turnover comprises the value of sales (net of value added tax) of goods and services provided in the normal course of business.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2013, is being amortised evenly over its estimated useful life of five years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-------------------------|----------------------------|
| Furniture and equipment | - 10% to 25% straight line |
| Motor vehicles | - 25% on cost |
| Computer equipment | - 25% on cost |

Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of the UK purchased goods represents the value of goods only. The cost of imported goods includes import costs, duties and carriage. Net realisable value is based on estimated selling price less the estimated cost of disposal.

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2014

1. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in the periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leased assets and obligations

Operating lease annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs and other post-retirement benefits

The group operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Investments

Investments in subsidiaries are stated at cost less provision for diminution in value.

2. TURNOVER

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

An analysis of turnover by geographical market is given below:

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|----------------|-----------------------------|--|
| United Kingdom | 21,620,108 | 13,419,665 |
| Europe | 1,851,521 | 1,018,647 |
| Rest of World | 89,169 | 57,755 |
| | <u>23,560,798</u> | <u>14,496,067</u> |

APEX STAINLESS HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2014**

3. STAFF COSTS

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|-----------------------|--------------------------------------|---|
| Wages and salaries | 2,530,644 | 1,651,109 |
| Social security costs | 225,187 | 154,962 |
| Other pension costs | 77,638 | 51,322 |
| | <u>2,833,469</u> | <u>1,857,393</u> |

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

| | Year ended 31.12.14 | Period 14.2.13 to 31.12.13 |
|---------------------------|--------------------------------|---|
| Staff including directors | <u>110</u> | <u>108</u> |

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|--|--------------------------------------|---|
| Other operating leases | 449,488 | 324,417 |
| Depreciation - owned assets | 97,399 | 64,826 |
| Profit on disposal of fixed assets | (10,729) | (749) |
| Goodwill amortisation | 97,187 | 64,791 |
| Auditors' remuneration | 13,500 | 13,500 |
| Foreign exchange differences | (27,565) | (7,778) |
| Exceptional income | - | (1,478,187) |
| | <u>312,563</u> | <u>186,763</u> |
| Directors' remuneration | 10,050 | 6,700 |
| Directors' pension contributions to money purchase schemes | <u>10,050</u> | <u>6,700</u> |

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

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>3</u> | <u>3</u> |
|------------------------|----------|----------|

Goodwill amortisation of £97,187 (Period ending 2013: £64,791) has been written off directly against the merger relief reserve in note 19 of the accounts.

APEX STAINLESS HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2014**

4. OPERATING PROFIT - continued

Information regarding the highest paid director for the year ended 31 December 2014 is as follows:

| | Year ended 31.12.14 £ |
|---|--------------------------------------|
| Emoluments etc | 114,582 |
| Pension contributions to money purchase schemes | <u>3,350</u> |

5. EXCEPTIONAL ITEMS

In the prior accounting period, exceptional income related to the reversal of a fair value adjustment of £1,478,187 made to stock at the date of acquisition, which was subsequently realised in the post acquisition results of the group for that period.

This has been disclosed within note 24 where the effects on the group at the date of acquisition and on the calculation of goodwill are disclosed.

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|--------------------------------|--------------------------------------|---|
| Bank interest | - | 6 |
| Interest on director's loan | - | 869 |
| Interest payable on loan notes | <u>308,944</u> | <u>243,565</u> |
| | <u>308,944</u> | <u>244,440</u> |

The interest on the director's loan is payable to one of the group and company's directors, Mr P R Lower. The charge represents interest paid on the loan and is calculated at 4.5% above base rate.

Mr P R Lower waived any interest credits in the year.

7. TAXATION

Analysis of the tax charge

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

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|--------------------------------------|--------------------------------------|---|
| Current tax: | | |
| UK corporation tax | 922,032 | 453,261 |
| Adjustment re previous period | <u>1</u> | <u>-</u> |
| Tax on profit on ordinary activities | <u>922,033</u> | <u>453,261</u> |

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2014

7. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | Year ended 31.12.14 £ | Period 14.2.13 to 31.12.13 £ |
|--|-----------------------------|--|
| Profit on ordinary activities before tax | <u>4,325,660</u> | <u>3,492,447</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2013 - 23%) | 908,389 | 803,263 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,067 | 1,081 |
| Income not taxable for tax purposes | (2,253) | (13,250) |
| Capital allowances in excess of depreciation | (4,154) | (2,531) |
| Adjustments to tax charge in respect of previous periods | 1 | - |
| Marginal relief | (2,224) | (4,020) |
| Other tax adjustments | <u>21,207</u> | <u>(331,282)</u> |
| Current tax charge | <u>922,033</u> | <u>453,261</u> |

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £1,888,250.

9. INTANGIBLE FIXED ASSETS

| Group | Goodwill £ |
|---|----------------|
| COST | |
| At 1 January 2014 and 31 December 2014 | <u>485,936</u> |
| AMORTISATION | |
| At 1 January 2014 | 64,791 |
| Amortisation for year | <u>97,187</u> |
| At 31 December 2014 | <u>161,978</u> |
| NET BOOK VALUE | |
| At 31 December 2014 | <u>323,958</u> |
| At 31 December 2013 | <u>421,145</u> |

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2014

10. TANGIBLE FIXED ASSETS

| Group | Furniture and equipment £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|------------------------|--|---------------------------------|-------------------------------------|---------------------|
| COST | | | | |
| At 1 January 2014 | 177,187 | 102,845 | 9,294 | 289,326 |
| Additions | 50,202 | 44,990 | 3,177 | 98,369 |
| Disposals | (7,000) | (31,948) | - | (38,948) |
| At 31 December 2014 | <u>220,389</u> | <u>115,887</u> | <u>12,471</u> | <u>348,747</u> |
| DEPRECIATION | | | | |
| At 1 January 2014 | 33,809 | 26,921 | 1,947 | 62,677 |
| Charge for year | 53,405 | 41,381 | 2,613 | 97,399 |
| Eliminated on disposal | (6,999) | (31,945) | - | (38,944) |
| At 31 December 2014 | <u>80,215</u> | <u>36,357</u> | <u>4,560</u> | <u>121,132</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2014 | <u>140,174</u> | <u>79,530</u> | <u>7,911</u> | <u>227,615</u> |
| At 31 December 2013 | <u>143,378</u> | <u>75,924</u> | <u>7,347</u> | <u>226,649</u> |

11. FIXED ASSET INVESTMENTS

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

Subsidiary

Apex Stainless Fasteners Limited

Nature of business: stockholders and distributors of fasteners

| | |
|------------------|----------|
| | % |
| Class of shares: | holding |
| Ordinary | 100.00 |

Apex Stainless Fasteners Limited has been included in the consolidated accounts of Apex Stainless Holdings Limited from the acquisition date of 3 May 2013.

12. STOCKS

| | Group | |
|----------------|-------------------|------------------|
| | 2014 | 2013 |
| | £ | £ |
| Finished goods | <u>10,611,706</u> | <u>9,789,824</u> |

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2014

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | |
|--------------------------------|------------------|------------------|
| | 2014 | 2013 |
| | £ | £ |
| Trade debtors | 4,865,158 | 4,608,799 |
| Prepayments and accrued income | 177,834 | 153,673 |
| | <u>5,042,992</u> | <u>4,762,472</u> |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Other loans (see note 16) | 1,464,000 | 1,464,000 | 1,464,000 | 1,464,000 |
| Payments on account | 1,134,617 | 718,564 | - | - |
| Trade creditors | 402,565 | 411,960 | - | - |
| Tax | 207,737 | 130,418 | 30,937 | 30,252 |
| Social security and other taxes | 36,143 | 29,995 | - | - |
| VAT | 209,965 | 235,839 | 19,520 | 28,520 |
| Directors' current accounts | 27,297 | 45,939 | - | - |
| Accruals and deferred income | 925,573 | 874,913 | - | - |
| | <u>4,407,897</u> | <u>3,911,628</u> | <u>1,514,457</u> | <u>1,522,772</u> |

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

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Other loans (see note 16) | 2,928,000 | 5,124,000 | 2,928,000 | 5,124,000 |
| Amounts owed to group undertakings | - | - | 6,100,000 | 6,100,000 |
| | <u>2,928,000</u> | <u>5,124,000</u> | <u>9,028,000</u> | <u>11,224,000</u> |

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2014

16. LOANS

An analysis of the maturity of loans is given below:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Amounts falling due within one year or on demand: | | | | |
| Other loans | <u>1,464,000</u> | <u>1,464,000</u> | <u>1,464,000</u> | <u>1,464,000</u> |
| Amounts falling due between one and two years: | | | | |
| Other loans - 1-2 years | <u>1,464,000</u> | <u>1,464,000</u> | <u>1,464,000</u> | <u>1,464,000</u> |
| Amounts falling due between two and five years: | | | | |
| Other loans - 2-5 years | <u>1,464,000</u> | <u>3,660,000</u> | <u>1,464,000</u> | <u>3,660,000</u> |

17. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

| Group | | Land and buildings | |
|----------------------------|--|---------------------------|----------------|
| | | 2014 | 2013 |
| | | £ | £ |
| Expiring: | | | |
| Between one and five years | | <u>217,595</u> | <u>93,595</u> |
| In more than five years | | <u>200,000</u> | <u>324,000</u> |
| | | <u>417,595</u> | <u>417,595</u> |

18. CALLED UP SHARE CAPITAL

| | | | | |
|----------------------------------|----------|----------------|---------------|---------------|
| Allotted, issued and fully paid: | | | | |
| Number: | Class: | Nominal value: | 2014 | 2013 |
| | | | £ | £ |
| 72,000 | Ordinary | £1 | <u>72,000</u> | <u>72,000</u> |

19. RESERVES

| Group | | Profit and loss account | Other reserves | Totals |
|--------------------------|--|--------------------------------|-----------------------|-------------------|
| | | £ | £ | £ |
| At 1 January 2014 | | 3,039,186 | 5,623,209 | 8,662,395 |
| Profit for the year | | 3,403,627 | | 3,403,627 |
| Amortisation of goodwill | | - | (97,187) | (97,187) |
| At 31 December 2014 | | <u>6,442,813</u> | <u>5,526,022</u> | <u>11,968,835</u> |

APEX STAINLESS HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the year ended 31 December 2014**

19. RESERVES - continued

Company

| | Profit and loss account £ | Other reserves £ | Totals £ |
|---------------------|--|---------------------------------|---------------------|
| At 1 January 2014 | 1,596,532 | 5,688,000 | 7,284,532 |
| Profit for the year | 1,888,250 | | 1,888,250 |
| At 31 December 2014 | <u>3,484,782</u> | <u>5,688,000</u> | <u>9,172,782</u> |

Other reserves represent the creation of a merger relief reserve in line with the provisions of the Companies Act 2006 section 612, following the company's acquisition of Apex Stainless Fasteners Limited.

20. PENSION COMMITMENTS

The group operates a defined pension contribution scheme in respect of certain employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the group and amounted to £77,638 (period to 2013: £51,322). There were no outstanding or prepaid contributions.

21. CONTINGENT LIABILITIES

On behalf of the group, the group's bankers have a guarantee for £130,000 in favour of HM Revenue and Customs.

There is an omnibus guarantee and set off agreement dated 17 June 2014 given by the company and its subsidiary, Apex Stainless Fasteners Limited.

At 31 December 2014 the group had liabilities under documentary credits to the value of £64,039 (2013: £155,632) which are contingent on the formal acceptance of the purchase order and the drawing down of the documentary credits as letters of credit. There were also additional documentary credits of £240,939 (2013: £76,509) for which the goods have been included as stock and the liability included as a creditor at the year end.

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the year ended 31 December 2014**

22. RELATED PARTY DISCLOSURES

P R Lower

In 2013, as settlement for the acquisition of shares of Apex Stainless Fasteners Limited, the company financed the purchase by way of the following consideration paid to P R Lower:-

| | £ |
|--|-----------|
| Cash paid | 1,360,000 |
| Deferred Loan notes | 7,320,000 |
| 16,000 Ordinary shares issued in Apex Stainless Holdings Limited | 1,280,000 |
| | <hr/> |
| Total consideration paid | 9,960,000 |

The above represented the fair value of the consideration paid to P R Lower for his holding of 124,500 Ordinary shares of £1 each in Apex Stainless Fasteners Limited.

During the year the company repaid £2,196,000 (period to 2013: £732,000) to P R Lower in respect of deferred loan notes.

Interest on the loan notes is levied at 5% and interest was paid to P R Lower of £308,944 (period to 2013: £243,565).

Mr P R Lower, director has given a personal guarantee to the value of £100,000 in respect of any secured debts incurred by the group. There were no secured debts at the period end.

| | 2014 £ | 2013 £ |
|---|------------------|------------------|
| Amount due to related party at the balance sheet date | <u>4,392,000</u> | <u>6,588,000</u> |

M P Lower

In 2013, as settlement for the acquisition of shares of Apex Stainless Fasteners Limited, the company financed the purchase by way of the following consideration paid to M P Lower:-

| | £ |
|--|-----------|
| 16,000 Ordinary shares issued in Apex Stainless Holdings Limited | 1,280,000 |
| | <hr/> |
| Total consideration paid | 1,280,000 |

The above represented the fair value of the consideration paid to M P Lower for his holding of 16,000 Ordinary shares of £1 each in Apex Stainless Fasteners Limited.

E R Lower

In 2013, as settlement for the acquisition of shares of Apex Stainless Fasteners Limited, the company financed the purchase by way of the following consideration paid to E R Lower:-

| | £ |
|--|-----------|
| 16,000 Ordinary shares issued in Apex Stainless Holdings Limited | 1,280,000 |
| | <hr/> |
| Total consideration paid | 1,280,000 |

The above represented the fair value of the consideration paid to E R Lower for his holding of 16,000 Ordinary shares of £1 each in Apex Stainless Fasteners Limited.

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2014

22. RELATED PARTY DISCLOSURES - continued

Paul Lower (Properties)

An unincorporated business controlled by P R Lower

During the year the group occupied properties owned by Mr P R Lower. The charge for the period relating to these properties amounted to £494,657 (period to 2013: £396,308), which included amounts of £9,950 (period to 2013: £0) recorded within fixed asset additions.

In addition, the group sold a motor vehicle for £0 (period to 2013: £11,000) to Mr P R Lower.

At the year end date a net accrual of £47,640 has been provided consisting of:

1. £70,154 (2013: £58,615) which had been invoiced in advance relating to these properties and is included within prepayments and accrued income in the notes to the accounts.
2. £117,794 (2013: £99,176) which had been accrued as charges relating to these properties and is included within accruals in the notes to the accounts.

At the year end there were amounts due to P R Lower under a loan advanced to the group of £27,297 (2013: £45,939).

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

| | 2014 £ | 2013 £ |
|--|-------------------|------------------|
| Profit for the financial year | 3,403,627 | 3,039,186 |
| New share capital subscribed | - | 72,000 |
| Merger relief reserve | - | 5,688,000 |
| Amortisation of goodwill | (97,187) | (64,791) |
| Net addition to shareholders' funds | 3,306,440 | 8,734,395 |
| Opening shareholders' funds | 8,734,395 | - |
| Closing shareholders' funds | 12,040,835 | 8,734,395 |

Company

| | 2014 £ | 2013 £ |
|--|------------------|------------------|
| Profit for the financial year | 1,888,250 | 1,596,532 |
| New share capital subscribed | - | 72,000 |
| Merger relief reserve | - | 5,688,000 |
| Net addition to shareholders' funds | 1,888,250 | 7,356,532 |
| Opening shareholders' funds | 7,356,532 | - |
| Closing shareholders' funds | 9,244,782 | 7,356,532 |

APEX STAINLESS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the year ended 31 December 2014

24. ACQUISITION OF SUBSIDIARY

On 3 May 2013, Apex Stainless Holdings Limited acquired 100% of the issued share capital of Apex Stainless Fasteners Limited.

Apex Stainless Holdings Limited have given the following consideration for the net assets of Apex Stainless Fasteners Limited:

| | Book value | Fair value adjustment | Fair value |
|---------------------------|-------------------|-----------------------|-------------------|
| | £ | £ | £ |
| Cash | 6,066,600 | - | 6,066,600 |
| Deferred loan notes | 7,320,000 | - | 7,320,000 |
| Shares issued in exchange | 72,000 | 5,688,000 | 5,760,000 |
| Total | 13,458,600 | 5,688,000 | 19,146,600 |

The net assets of Apex Stainless Fasteners Limited have been adjusted to fair value as follows:

| Asset / Liability | Book value | Fair value adjustment | Fair value |
|-----------------------|-------------------|-----------------------|-------------------|
| | £ | £ | £ |
| Tangible fixed assets | 206,274 | - | 206,274 |
| Current assets | 23,280,538 | (1,478,187) | 21,802,351 |
| Current liabilities | (3,347,961) | - | (3,347,961) |
| Total | 20,138,851 | (1,478,187) | 18,660,664 |

The acquisition of Apex Stainless Fasteners Limited has given rise to positive goodwill of £485,936.

The fair value adjustment made to stock on acquisition related to the estimated reduction in value on a replacement cost basis. As at the period end the group was deemed to have sold all of the related stock acquired, in line with the group's usual stock holding period and thus the fair value adjustment has been reversed and disclosed in note 6 to the accounts as an exceptional item.

The results of Apex Stainless Fasteners Limited from its accounting start date of 1 January 2013 up until the date of its acquisition can be summarised as follows:-

Profit and loss disclosures

| | From 1 Jan to 3 May 2013 | Year to 31 Dec 2012 |
|------------------------------|-----------------------------|------------------------|
| | £ | £ |
| Turnover | 7,627,948 | 23,187,211 |
| Operating profit | 1,304,608 | 3,584,587 |
| Profit before taxation | 1,338,029 | 3,593,869 |
| Taxation | (307,000) | (906,098) |
| Profit after taxation | 1,031,029 | 2,687,771 |

There were no other recognised gains and losses up to the date of acquisition or in the prior year.

25. CONTROLLING INTEREST

There is no overall controlling party as defined by Financial Reporting Standard number eight.