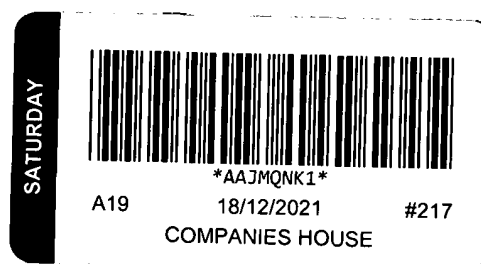


Apiary Investments Holdings Limited

Report and Financial Statements

31 December 2020

Registered Number: SC428206



Apiary Investments Holdings Limited

Company Information

Directors

C Coughlin

P Fracassa

A Roellgen

Auditors

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

United Kingdom

Bankers

Citizens Bank

Michigan Commercial Banking

27777 Franklin Road

19th Floor, MH 1980

Southfield, MI 48034

Solicitors

Shoosmiths LLP

Witan Gate House

500-600 Witan Gate West

Milton Keynes

England

MK9 1SH

United Kingdom

Registered Office

C/O Shoosmiths

Saltire Court

Castle Terrace

Edinburgh

Scotland

EH1 2EN

United Kingdom

Apiary Investments Holdings Limited

Registered Number: SC428206

Strategic Report

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

Principal Activities and Business Review

The Company is an intermediate holding company for operating companies that are global leaders in precision motion control technologies. In 2018, the Company and all its subsidiaries were purchased by The Timken Corporation on August 31, 2018. The Company will continue as a holding company for the foreseeable future.

Results and Dividends

The loss for the year, after taxation, amounted to \$3,415,000 (2019: \$6,785,000). No dividends were paid during the year (2019: \$nil).

In June 2020, the Company converted the outstanding balance of its preference shares to ordinary shares.

This report reflects the activities of the holding company only and thus, key performance and other financial indicators are not deemed applicable.

Principal Risks and Uncertainties

Due to the entity being a holding company exposed to limited operational risks, there are no material risks or uncertainties which require disclosure in these individual accounts other than those discussed below:

Liquidity Risk

The Company depends on the financial support from its parent company the Timken Company in meeting its liabilities for the foreseeable future, since the Company does not have sufficient cash reserves of its own. The directors have satisfied themselves that, should it be required, The Timken Company has the resources to support the Company for the foreseeable future.

Valuation of Investment Risk

The Company carries investments of its subsidiaries at cost less impairment charges. It is the opinion of the directors that the value of the investment is not less than the amount at which it is stated in the financial statements. Impairment reviews are carried out on an annual basis to minimize the risk of a material misstatement

COVID-19 Risk

The directors consider the COVID-19 pandemic to be a risk to the Company. With a lot of the industries impacted by the global pandemic, including both customers and suppliers, the directors are closely monitoring the situation and steering the Group through the pandemic, ensuring the Company is strategically placed once the worldwide economy returns to normal. The actions and measures that the directors have imposed within the Group and individual companies have been in the best interest of the Group and have prepared them to emerge from the pandemic a stronger company. The Group has prepared detailed forecasts and have considered a host of future potential scenarios in order to ensure the going concern of all companies with the Apiary group. The directors feel the measure and actions that have been introduced sufficiently mitigates this risk

Financial Risk Management

The Company's financial risks are discussed in Note 8 to the financial statements.

Apiary Investments Holdings Limited

Strategic Report (continued)

Registered Number: SC428206

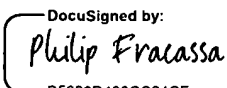
Section 172(1) Statement

The Company is a holding company in the United Kingdom to both its direct and indirect subsidiaries. The Company's direct subsidiaries are Cone Drive Operations Inc. and Cone Drive Operations Limited and it holds indirect interest in Jiangyin Huafang High Technology Equip. Co. Ltd via its investment in Cone Drive Operations Limited.

The directors believe that the Group must effectively address and balance the interest of all its stakeholders, including its shareholders, subsidiary, intercompany customers and consumers, in order to fulfil the Group objectives. The company has no employees, external suppliers or external customers. As a holding company, the Company's principal activity is aligned with the Group. The directors of the Company are therefore guided by the Group's culture, policies and strategies. The directors of the Company however recognize that their statutory duties are owed to the Company and believe when taking board decisions during the year ended 31 December 2020 that they have acted in a way that they consider, would be most likely to promote the success of the Company, having regard to those matters set out in section 172 of the Companies Act 2006 ('CA 2006').

The nature of the Company's activities during the year were such to achieve the Company's long term success and were aligned with the Group. During the year the directors were supported by their senior leadership Team representing a number of corporate functions including legal, accounting, treasury and tax

On behalf of the Board

DocuSigned by:

B5639D400CC94CF...
Philip Francassa
Director

December 16, 2021

Apiary Investments Holdings Limited

Registered No. SC428206

Directors' report

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

Directors

The directors who served the company during the year were as follows:

C Coughlin

P Fracassa

A Roellgen

Future Developments

The directors have considered the effect of the UK's decision to leave the European Union and believe that in the current year's results there has been little to no adverse impact. It is the opinion of the directors that, there will ultimately be no significant adverse impact on the future trading of the Company's subsidiaries.

Currently, the Company does not expect any impairment to the carrying value of any asset (including investments) or revaluation of liabilities, as a result of the COVID-19 pandemic.

Going Concern

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. The Company has net current liabilities of \$12.7m. \$12.4m is owed to The Timken Company in relation to accrued interest accumulated on preference shares that were allotted to the parent, The Timken Company, at acquisition, whilst \$0.3m is due to fellow wholly owned subsidiaries of The Timken Company. The directors have received a letter from The Timken Company, stating its intention to continue to provide financial support to the Company to enable it to continue to meet its liabilities as they fall due to 31 December 2022. The Timken Company has significant cash reserves and the directors have satisfied themselves that, should it be required, The Timken Company has the resources to support the Company, therefore, the directors consider the use of the going concern basis to be appropriate.

Dividends

Dividends paid are detailed within the Strategic Report.

Political Donations

No political donations were made during the current or preceding year

Events After Balance Sheet Date

On October 26, 2021 the Company approved a bonus issue of shares & subsequent capital reduction plan, thereby creating distributable reserve of \$150,947,210 which was to be used to return surplus capital to the company's sole member, The Timken Company. The bonus issue was completed by capitalising the balance within the Capital Contribution Reserve and creating therein, non-distributable reserves of an additional \$76,156k. The ordinary share capital following the bonus issue was \$150,947,211.

The capital of the Company was subsequently reduced by cancelling & extinguishing 150,947,210 ordinary shares of USD \$1 each registered in the name of The Timken Company and the resulting issued share capital of the Company was \$1 divided into 1 ordinary share of \$1.

Following the review of the Article of Association, the directors noted the Articles do not contain any provision restricting or prohibiting a reduction of the Company's share capital

On November 1, 2021 the Company received an interim dividend from its wholly owned direct subsidiary, Cone Drive Operations Limited, in the sum of \$15.1m and on the same day, pursuant to receipt of the

Apiary Investments Holdings Limited

Directors' report (continued)

Registered Number: SC428206

dividend, the Directors of the Company paid an interim dividend in the sum of \$15,100,000 to the sole shareholder of the Company, The Timken Company.

Streamlined Energy & Carbon Reporting

In accordance with the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy implemented on 1 April 2019, the directors have taken advantage of the exemption not to report under it, due to not having any operations in the UK, despite being a UK domiciled company, given its status as a holding company and due to the directors' determination that the Company is a low energy user.

Directors indemnity

Subject to the provisions of the Companies Act 2006, but without prejudice or limitation to any indemnity to which a director may otherwise be entitled, every director of the Company shall be indemnified to the fullest extent permissible at law out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company. The Company is covered by Directors and Officers insurance against such liabilities.

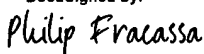
Disclosure of Information to the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

By order of the Board

DocuSigned by:

B5639D400CC94CF...

Philip Francassa
Director

December 16, 2021

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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), including FRS 101 'Reduced Disclosure Framework' (FRS 101'). 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 then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 auditors' report

to the members of Apiary Investments Holdings Limited

Opinion

We have audited the financial statements of Apiary Investments Holdings Limited for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 15, 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 FRS 101 "Reduced Disclosure Framework (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 loss 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period from when the financial statements are authorised for issue to 31 December 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 contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report

to the members of Apiary Investments Holdings Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 or directors' report.

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

- adequate accounting records have not been kept 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 directors' responsibilities statement 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.

Independent auditors' report

to the members of Apiary Investments Holdings Limited (continued)

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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant frameworks directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant taxation laws and regulations in the UK.
- We understood how Apiary Investments Holdings Limited is complying with those frameworks by making enquiries of those charged with governance and management, including those responsible for legal compliance procedures, to understand how the company maintains and communicates its policies and procedures in these areas. We note the company adheres to the policies of its ultimate parent The Timken Company.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by holding discussions internally and with management and those charged with governance to understand where it was considered there was a susceptibility to fraud and what entity-level controls are in place to prevent fraud. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. Specifically, we identified a fraud risk in relation to management override of controls, with regards to the valuation of the company's investments in subsidiaries. Therefore, we have performed detailed audit procedures on management's assessment that there were no indicators of impairment and therefore no need for a formal impairment calculation or impairment reserve.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the requirements of the relevant accounting standards, and UK legislation.

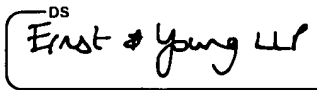
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditors' report

to the members of Apiary Investments Holdings Limited (continued)

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.

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", is enclosed within a rectangular box. Above the box, the letters "DS" are printed.

Peter Buckler (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

December 17, 2021

• **Apiary Investments Holdings Limited**

Statement of Comprehensive Income

for the year ended 31 December 2020

	<i>Notes</i>	<i>2020 US\$000s</i>	<i>2019 US\$000s</i>
Administrative Expenses		(26)	(7)
Operating Loss		(26)	(7)
Interest Payable	4	(3,389)	(6,778)
Loss Before Taxation		(3,415)	(6,785)
Taxation		-	-
Total Comprehensive Loss for the Year		<u>(3,415)</u>	<u>(6,785)</u>

The results above are all attributable to continuing operations.

The Company has no other comprehensive income or losses for the year ended 31 December 2020 (2019: none).

Apiary Investments Holdings Limited

Statement of changes in equity

for the year ended 31 December 2020

	<i>Ordinary Shares US\$000s</i>	<i>Share Premium Reserve US\$000s</i>	<i>Capital Contribution Reserve US\$000s</i>	<i>Retained Earnings US\$000s</i>	<i>Total Equity US\$000s</i>
At 1 January 2019	13,423	-	76,153	(39,913)	49,663
Comprehensive Loss	-	-	-	(6,785)	(6,785)
At 31 December 2019	13,423	-	76,153	(46,698)	42,878
Preference shares converted to ordinary shares	61,615	-	-	-	61,615
Current year correction (note 10)	(244)	244	-	-	-
Profit in the year	-	-	-	(3,415)	(3,415)
At 31 December 2020	74,794	244	76,153	(50,113)	101,078

Apiary Investments Holdings Limited

Statement of Financial Position

at 31 December 2020

	Notes	2020 US\$000s	2019 US\$000s
Assets			
Non-Current Assets			
Investments	6	113,839	113,839
Total Assets		<u>113,839</u>	<u>113,839</u>
Liabilities			
Current Liabilities			
Trade and other payables	7	335	310
Preference shares including accrued interest	9	12,426	70,651
		<u>12,761</u>	<u>70,961</u>
Total Liabilities		<u>12,761</u>	<u>70,961</u>
Net Assets		<u>101,078</u>	<u>42,878</u>
Capital & Reserves			
Ordinary share capital	10	74,794	13,423
Share premium	11	244	0
Capital contribution reserve	12	76,153	76,153
Retained loss		<u>(50,113)</u>	<u>(46,698)</u>
Shareholders Funds		<u>101,078</u>	<u>42,878</u>

On behalf of the Board

DocuSigned by:

Philip Fracassa

B5639D400CC94CF...

Philip Fracassa

Director

December 16, 2021

Notes to the financial statements

at 31 December 2020

1. Accounting Policies

Authorization of financial statements and statement of compliance with IFRS

The financial statements of Apiary Investments Holdings Limited for the year ended 31 December 2020 were approved and authorised for issue by the Board of Directors as indicated on page 13, and the Statement of Financial Position was signed on behalf of the Directors by Phillip Fracassa. The Company is incorporated and domiciled in Scotland (registration number: SC428206)

Statement of Compliance with IFRS

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards. They have been converted to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards as they apply to the financial statements of the Company for the year ended 31 December 2020, and in accordance with the provisions of the Companies Act 2006.

Basis of Presentation

The Company has taken advantage of the exemption under a400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of The Timken Company. The results of the Company are included in the consolidated financial statements of The Timken Company, which are available from The Timken Company, 450Mt Pleasant St NW, North Canton, OH 44720. These financial statements are therefore, separate financial statements of the Company only.

The financial statements of the Company have been prepared in accordance with EU Endorsed IFRS, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under FRS 101.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of
 - Paragraph 79(a)(iv) of IAS 1
- The requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'
- The requirements of IAS 7 'Statement of Cash Flows'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The financial statements have been prepared under the historical cost convention with the exception of assets and liabilities acquired in connection with a business combination, which are stated at fair value per IFRS 3(R).

Going Concern

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. The Company has net current liabilities of \$12.7m. \$12.4m is owed to The Timken Company in relation to accrued interest accumulated on preference shares that were allotted to the parent, The Timken Company, at acquisition, whilst \$0.3m is due to fellow wholly owned subsidiaries of The

Notes to the financial statements

at 31 December 2020

1. Accounting policies (continued)

Going Concern (continued)

Timken Company. The directors have received a letter from The Timken Company, stating its intention to continue to provide financial support to the Company to enable it to continue to meet its liabilities as they fall due to 31 December 2022. The Timken Company has significant cash reserves and the directors have satisfied themselves that, should it be required, The Timken Company has the resources to support the Company, therefore, the directors consider the use of the going concern basis to be appropriate.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further below.

Judgements and Key Sources of Estimation Uncertainty

The preparation of 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.

In the process of applying the Company's accounting policies, management has had to make the following judgements, apart from those involving estimations, which have the most significant impact on the amounts recognized in the financial statements:

Taxation

The Company is subject to potential tax audits by federal authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice.

Impairment of Non-Financial Assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date when applicable. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when indicators of impairment may exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period, and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

Notes to the financial statements

at 31 December 2020

1. Accounting policies (continued)

Income Taxes (continued)

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realized, or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognized in the income statement.

Impairment of Non-Financial Assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. The Company has no acquired or internally generated non-financial assets.

Investments

Investments in subsidiaries are stated at cost less provision for impairment. Provision against the underlying value of the investments in subsidiary undertakings is made where, in the opinion of the directors, there is impairment to the value of the underlying business.

Apiary Investments Holdings Limited

Notes to the financial statements

at 31 December 2020

2. Auditors' remuneration

The following amounts were expensed to the income statement in relation to the audit fees for the current year audit of the financial statements and for other services provided to the Company:

	2020 US\$000s	2019 US\$000s
Audit of the company financial statements	12	20
Other fees to auditors:	12	20
Other services related to taxation	-	10
	-	10

3. Directors' remuneration

The Directors did not receive any remuneration for their qualifying services as statutory directors of the Company during the year (2019: £nil). All directors serve as part of their position of employment at the Company's ultimate parent, The Timken Company and are remunerated by the ultimate parent. No amount is recharged to the Company for qualifying services and the directors believes that any apportionment of the total worldwide remuneration to qualifying services to the Company would be negligible.

Other than the Directors, the Company does not have any employees (2019: nil).

4. Finance Costs

	2020 US\$000s	2019 US\$000s
Accrued interest on preference shares	3,389	6,778

The accrued dividend was paid with the sale of the business to the former owners by The Timken Company in August of 2018 and interest continued accruing on the preference shares following the acquisition.

5. Taxation

(a) Tax on profit on ordinary activities

	2020 US\$000s	2019 US\$000s
Total UK corporation tax	-	-
Total deferred tax charge	-	-
Total	-	-

Apiary Investments Holdings Limited

Notes to the financial statements

at 31 December 2020

5. Taxation (continued)

(b) Tax reconciliation

	2020 US\$000s	2019 US\$000s
Loss before tax from ordinary operations	(3,415)	(6,785)
Tax at standard rate of 19% (2019: 19%)	(649)	(1,289)
Disallowable expense	644	1,288
Losses utilized	-	-
Losses not recognised	5	1
Total	-	-

The Company's corporate tax rate is 19% for 2020 (2019: 19%). Due to no taxable income with which to offset expenses, no tax asset was booked. This asset will be shown upon the generation of operating income.

On 3 March 2021, it was announced in the UK Budget that the standard rate of corporation tax in the United Kingdom will increase from 19% to 25% on 1 April 2023. The impact of this rate change has not been recognised in the year ended 31 December 2020 as the change was not substantively enacted at the Balance Sheet date.

6. Investments

	2020 US\$000s	2019 US\$000s
Cost and Net Book Value	113,839	113,839

Details of the investments in which the Company holds 20% or more of the nominal share value of any class of share capital are as follows:

Name of Company	Holding	Proportion of voting rights and shares held	Nature of business	Country of Incorporation
Cone Drive Operations, Inc.	Ordinary Shares	100%	Holding Company	United States
Cone Drive Operations Ltd	Ordinary Shares	100%	Operating Company	United Kingdom
Jiangyin Huafang New Energy High Technology Company, Ltd.*	Ordinary Shares	100%	Operating Company	China

*indicates indirect investment of Apiary Investments Holdings Limited, which is held by Cone Drive Operations Limited.

The principal activity of Cone Drive Operations Limited is to hold other subsidiary undertakings within the Group, in its status as a holding company.

The principal activity of Cone Drive Operations Inc is the design, manufacture and selling of precision motion control technology products and torque dense gearing solutions and drives to industrial customers around the world.

Apiary Investments Holdings Limited

Notes to the financial statements

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Investments (continued)

The principal activity of Jiangyin Huafang New Energy High Technology Company, Ltd is the design, manufacture and selling of precision motion control technology products and torque dense gearing solutions and drives to industrial customers around the world.

The registered addresses of both the direct and indirect subsidiary undertakings is as follows:

Cone Drive Operations Limited is incorporated and domiciled in Scotland, UK and its registered office is at C/O Shoosmiths, Saltire Court, Castle Terrace, Edinburgh, Scotland, EH1 2EN

Cone Drive Operations Inc is incorporated and domiciled in USA and its registered office is at C/O Corporation Service Company, 261 Little Falls Drive, Wilmington, Delaware, 19808.

Jiangyin Huafang New Energy High Technology Company, Ltd is incorporated and domiciled in China and is registered at Jiangyin Huafang New energy High-tech Equipment Co., Ltd, No. 20 Yungu Road, Changshou, Zhouzhuang, Jiangyin, Jiangsu, (214424) China.

Impairment Review

Following a review of the recoverable amount of the Company's investments during the year, in the opinion of the directors, the underlying value of the subsidiary's business is not impaired and as such, no impairment is required.

7. Trade and other payables

	2020 US\$000s	2019 US\$000s
Other payables	18	30
Intercompany liabilities	317	280
	<u>335</u>	<u>310</u>

8. Financial Risk Management and Financial Instruments

Financial Risk Management Objectives and Policies

The Company's financial instruments comprise principally of trade payables that arise directly from its operations. The principal risks to which the Company is exposed are liquidity. The Company almost exclusively transacts in US dollars, so no material foreign exchange risk is experienced. These risks are managed in accordance with board-approved policies.

Foreign Currency Risk

The Company buys services predominantly in US dollars, therefore, foreign exchange rate risk is immaterial.

Commodity Price Risk

The Company's has no inventory.

Apiary Investments Holdings Limited

Notes to the financial statements

at 31 December 2020

8. Financial Risk Management and Financial Instruments (continued)

Credit Risk

There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

The Company endeavours to minimize credit risk through the use of trade finance instruments such as letters of credit and insurance. The Company also performs detailed credit checks before a customer is accepted. Historically, these procedures have proved effective in minimizing the level of impaired and past due debtors.

9. Preference Shares

	2020 US\$000s	2019 US\$000s
Preference shares including accrued interest	12,426	70,651
	<u>12,426</u>	<u>70,651</u>

On 31 August 2018, 61,614,793 preference shares were transferred to The Timken Company, the Company's ultimate parent from its previous owners, upon its acquisition by Timken. In June 2020, the preference shares were converted to ordinary shares. The balance outstanding at the yearend represents accrued interest not yet paid of \$12,426k (2019: \$9,037k).

At yearend, the balance outstanding in relation to the accrued interest has been reclass to current liabilities as a result of the preference share conversion and due to the fact that the accrued interest has been repaid by way of an interim dividend to The Timken Company.

10. Share Capital

	2020 US\$000s	2019 US\$000s
<i>Allotted, called up and fully paid:</i>		
Stock allotted, called up, and fully paid	74,794	13,423
	<u>74,794</u>	<u>13,423</u>

The par value of an ordinary share is \$1.

In June 2020, the Company converted 61,614,793 preference shares of nominal value of \$1 each to 61,614,793 ordinary shares of nominal value of \$1 each. The Company also converted its 1 Class 1A deferred share of £1 to an ordinary share of nominal value of £1. This has been denominated to US dollars resulting in an additional \$1 ordinary share with share premium of \$0.26; the share premium has subsequently been cancelled.

At yearend, the Company has an issued share capital of \$74,794,150 divided into 74,974,150 ordinary shares of \$1 each.

Current Year Correction

On reconciling the financial statements to the annual compliance certificate management realised an historic error had been made in the classification of Share Capital and Share Premium. As this error is considered to be immaterial the relevant amendments have been reflected in the current year without presentation as a prior year adjustment. The corrected error in the current year results in \$244k of the balance sat within the ordinary share capital at the previous year, being reclassified to Share Premium (note 11).

Apiary Investments Holdings Limited

Notes to the financial statements

at 31 December 2020

11. Share Premium

The share premium account is used to record amounts received in excess of the nominal value of shares on issue of new shares.

	2020	2019
	US\$000s	US\$000s
Share premium reserve	245	-

12. Capital Contribution Reserve

On acquisition of the company by The Timken Group, a Capital contribution reserve was added on investment from the parent entity of \$76,156k (2019: \$76,156k)

13. Related Party Transactions

The Company is a wholly owned subsidiary of a group which prepares consolidated financial statements which are publicly available. Accordingly, the Company has taken advantage of the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries

14. Events after balance sheet date

On October 26, 2021 the Company approved a bonus issue of shares & subsequent capital reduction plan, thereby creating distributable reserve of \$150,947,210 which was to be used to return surplus capital to the company's sole member, The Timken Company. The bonus issue was completed by capitalising the balance within the Capital Contribution Reserve and creating therein, non-distributable reserves of an additional \$76,156k. The ordinary share capital following the bonus issue was \$150,947,211.

The capital of the Company was subsequently reduced by cancelling & extinguishing 150,947,210 ordinary shares of USD \$1 each registered in the name of The Timken Company and the resulting issued share capital of the Company was \$1 divided into 1 ordinary share of \$1.

Following the review of the Article of Association, the directors noted the Articles do not contain any provision restricting or prohibiting a reduction of the Company's share capital

On November 1, 2021 the Company received an interim dividend from its wholly owned direct subsidiary, Cone Drive Operations Limited, in the sum of \$15.1m and on the same day, pursuant to receipt of the dividend, the Directors of the Company paid an interim dividend in the sum of \$15,100,000 to the sole shareholder of the Company, The Timken Company.

15. Ultimate parent company

The directors report that the immediate and ultimate parent undertaking is The Timken Company, 450Mt Pleasant St NW, North Canton, OH 44720.

The smallest group at which consolidated financial statements are prepared is The Timken Company. Copies of these financial statements are available from the registered office, 450Mt Pleasant St NW, North Canton, OH 44720.