

VAX LIMITED

**Annual Report and Financial
Statements**

**for the financial year ended
31st December 2017**



ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Raybould (Resigned 02/02/2017)
A Duarte
D Winterbottom
D Lautenschlaeger (Appointed 20/02/2017)

SECRETARY

M Raybould (Resigned 02/02/2017)

REGISTERED OFFICE

2 Colmore Square
Floor 5
38 Colmore Circus
Queensway
Birmingham
United Kingdom
B4 6BN

BANKERS

HSBC Bank PLC
130 New Street
Birmingham
B2 4JU

SOLICITORS

EMW LLP
Seebeck House
1 Seebeck Place
Knowlhill
Milton Keynes
MK5 8FR

AUDITOR

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

STRATEGIC REPORT

During the year the principal activities of Vax Limited (the company) were the development and distribution of a range of floorcare products.

For the company, the Vax brand saw success in its focus on cordless product technology leading the next generation of vacuums. Through the launch of the Vax Blade Cordless Vacuum in late 2016, Vax saw double-digit growth in 2017 on the sale of cordless vacuums, delivering supreme cleaning performance with Direct Helix Technology™. Vax continues to sell a number of different floorcare product categories including upright and cylinder vacuum cleaners, carpet washers and hardfloor cleaners.

2017 continued to be a challenging year with total sales declining by -23% to £94m (2016: £121m) as the business transitioned from old generation corded products to new technology and cordless platforms.

The company felt the effects during the year as the United Kingdom was negatively impacted by the combination of weak currency in the GBP to USD, the impact of Brexit and general softening of the UK retail appliance market.

In order to improve the business consistent with the strategy, the company has been streamlining operations by reducing legacy overhead, focusing to win in cordless and highly selective technically advanced corded products. Vax Limited is deploying a strategic plan designed to transform and revitalize the business into a global cordless leader. The market for cordless floor care products is growing dramatically and the business intends to be positioned in the vanguard of this generational transition.

Techtronic Industries Company Limited (the TTI Group), of which Vax is a part, is committed to constantly improving the efficiency of its processes, supply chains and spending in all areas enabling it to increase investment each year in research and development (R&D) and new product development. Vax follows the strategic plan aimed at increased profitability and a return to top line growth in the long term. The business is making progress executing the strategic changes by investing in R&D for cordless technology and new product development, discontinuation of non-strategic products and streamlining operations.

In response to streamlining operations and reducing legacy overhead, during 2017 Vax responded to the UK market and trading conditions by taking further steps to reducing headcount costs and reducing costs within the business including controllable expenses and high rental costs.

The company continues to feel the impact of the uncertain Brexit resolution between the United Kingdom and the European Union. The impact is most felt in the softening of the retail market over these successive years, with consumer confidence and spend reduced, married with the volatility and weakness of the GBP currency as Vax trades in both USD and Euro causing negative results on Vax since the initial vote.

Vax hedges exchange rate risk effectively through the purchase of forward contracts, particularly US Dollar of which the majority of the business' inventory is purchased in, that also covers its short and medium liabilities. This has become particularly important given the impact of currency volatility.

Vax is aware that the UK floor care market continues to be volatile, particularly due to Brexit and the effects on foreign currency, as well as the market shift out of legacy corded products into cordless products. However, Vax is positioning investment in R&D towards cordless technology and remaining focused on driving operational efficiencies in parallel with driving revenue growth in Cordless. The company has confidence in future developments of the Vax floor care products with an already successful start to the 2018 year with the launch of the Vax Platinum Power Max Carpet Washer and Platinum Solution, creating double digit growth year on year for the category, along with further product launches planned for later 2018 and into 2019.

STRATEGIC REPORT (continued)**PRINCIPAL RISKS AND UNCERTAINTIES**

The company is exposed to a range of risks. These include:

- **Fluctuations in the rate of foreign exchange** - the company has significant currency flows and is therefore exposed to fluctuations in exchange rates. The company therefore uses currency forward contracts to hedge this exposure.
- **Economic risk** - the company is exposed to changes in the general economic outlook and retail conditions in its principal markets.
- **Liquidity risk** - in order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company uses long term debt finance from the parent company, as well as using invoice discount facility to manage cash flow.
- **Credit risk** - the company's credit risk is primarily attributable to its trade. The company spreads its exposure to credit risk over a large number of counterparties and customers. Further, the company has credit insurance against debt due from principal customers as well as secures debt through retention of title of trade goods.
- **Interest risk** - interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.
- **Competitor risk** - the floorcare market is a mature market with established brands creating barriers for new entrants. The company maintains its competitive advantage through innovations and new products as a result of its strong focus on R&D.

The directors have reviewed the financial risk management objectives and policies of the company. Appropriate trade terms are negotiated with suppliers and customers and management review these terms and the relationships with suppliers and customers and manage any exposure on normal trade terms.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

RESEARCH AND DEVELOPMENT

The TTI Group continues to invest in research and development. This has resulted in a number of new products being launched recently which are expected to make a contribution to the growth of the business. The directors regard investment in this area as a prerequisite for success in the medium to long-term future.

KEY PERFORMANCE INDICATORS

The company produces detailed management accounts on a monthly basis and a number of Key Performance Indicators are an integral part of this process. The monthly management reporting and accounts focus on the actual performance of the business compared to the budget set for the current financial year and the actual performance for the previous financial year.

The financial KPI's that are part of this review process include sales turnover change, gross profit percentage, overhead costs as a percentage of revenue, operating profit percentage and return on sales. Working capital measurement includes inventory days, debtor days, collection ratios and overdue accounts.

Non-financial measures include employee turnover and employee numbers. Headcount change is an important indicator for the company as a reflection on its ability to adapt to market and turnover change. In addition a significant number of other non-operational KPI's are monitored in relation to the company's performance in respect of contract arrangements with both customers and suppliers.

The table below sets out the key KPI's

	2017	2016
Turnover change	-23%	-3%
Gross profit percentage	24%	20%
Headcount change	-32%	-11%

1. Turnover change measures the year on year progression of turnover from the continuing operations. Please see comments above regarding the movement in turnover during the year.

2. Gross profit percentage is designated as gross profit expressed as a percentage of turnover. The increase in the year is attributable to the change in product portfolio in the current year.

3. Headcount change is defined as the movement in the number of average heads expressed a percentage of the prior year average headcount. The decrease from prior year is in response to streamlining operations as discussed previously.

Approved by the Board of Directors and signed on behalf of the Board



Company Director
D Lautenschlaeger

Date: SEPTEMBER 27 2018

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

EXISTENCE OF BRANCHES OUTSIDE THE UK

The company has a branch, as defined in section 1046(3) of the Companies Act 2006, outside the UK being TTI Floor Care Southern Europe. This is further detailed in note 8 of the financial statements.

APPROVAL OF REDUCED DISCLOSURES

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 4.

CAPITAL CONTRIBUTIONS

During the year ended 31st December 2016, the company received capital contributions from Techtronic Industries Company Limited, being the Sole Shareholder of the company, by way of additional non-distributable reserves. There were no capital contributions during the year ended 31st December 2017.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

CASH FLOW RISK

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

CREDIT RISK

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company spreads credit risk exposure over a large number of counterparties and customers.

LIQUIDITY RISK

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

RESEARCH AND DEVELOPMENT

The TTI Group continues to invest in research and development. This has resulted in a number of new products being launched recently which are expected to make a contribution to the growth of the business. The directors regard investment in this area as a prerequisite for success in the medium to long-term future. Research and development is held and funded at the TTI Group level through a reimbursement of expenditure incurred by Vax Ltd.

DIRECTORS' REPORT (continued)

DIRECTORS

The directors who served during the year and subsequently were as follows:

M Raybould
A Duarte
D Winterbottom
D Lautenschlaeger

GOING CONCERN

The company has two significant loans due to a group company as per note 12. Interest is charged on the inter-company loan, however, the interest only becomes payable when adequate funds are available. These loans have maturity dates of 30 November 2025 and 30 November 2027.

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company uses long-term debt finance from the parent company. The company manages its working capital through cash generated by its trading operations. Any bank overdraft is secured by way of a standby letter of credit from the Parent company.

After making enquiries and reviewing cash flow forecasts and available facilities for a period of at least 12 months from the date of signing these financial statements, the Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

A letter of support is maintained from the Parent company which guarantee sufficient funds would be available to support the activities of Vax for the foreseeable future.

Accordingly, these financial statements have been prepared on a going concern basis.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2016: £nil).

AUDITOR

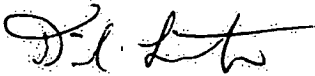
In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Company Director

D Lautenschlaeger

Date: Sept 27 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

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 comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VAX LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Vax Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we do identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VAX LIMITED

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 or 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.

We have nothing to report in respect of these matters.

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.

Jane Whitlock (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

28 September 2018

PROFIT & LOSS ACCOUNT
Year ended 31st December 2017

	Note	2017 £000	2016 £000
TURNOVER	1	93,501	120,772
Cost of sales		(70,797)	(96,283)
		<hr/>	<hr/>
GROSS PROFIT		22,704	24,489
Distribution costs		(11,213)	(12,159)
Administrative expenses		(19,902)	(24,178)
Other operating (expense)/income	4	(197)	233
		<hr/>	<hr/>
		(31,312)	(36,104)
OPERATING (LOSS)	3	(8,608)	(11,615)
Interest payable and similar charges	5	(2,281)	(2,605)
		<hr/>	<hr/>
(LOSS) BEFORE TAXATION		(10,889)	(14,220)
Tax credit/(charge)	6	-	-
		<hr/>	<hr/>
(LOSS) AFTER TAXATION FOR THE FINANCIAL YEAR		<u>(10,889)</u>	<u>(14,220)</u>

All activities are derived from continuing operations.

The accompanying notes are an integral part of the financial statements.

There is no difference between the loss before taxation and the loss for the financial years stated above and their historical cost equivalents.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31st December 2017

	Note	2017 £000	2016 £000
(LOSS) FOR THE FINANCIAL YEAR		<u>(10,889)</u>	<u>(14,220)</u>
Cash flow hedges			
(Loss)/Gain arising during the period		(2,919)	773
Less: reclassified to profit or loss		<u>(117)</u>	<u>-</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		<u>(3,036)</u>	<u>773</u>

BALANCE SHEET
As at 31st December 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Tangible assets	7	5,612	6,942
Investments	8	50	50
		<hr/>	<hr/>
		5,662	6,992
CURRENT ASSETS			
Deferred Tax Asset	6	-	131
Stocks	9	19,917	28,756
Debtors	10	43,739	60,954
Cash at bank and in hand		4,972	-
		<hr/>	<hr/>
		68,628	89,841
CREDITORS: amounts falling due within one year	11	(48,768)	(69,386)
		<hr/>	<hr/>
NET CURRENT ASSETS		19,860	20,455
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,522	27,447
CREDITORS: amounts falling due after more than one year	12	(28,392)	(16,392)
		<hr/>	<hr/>
NET (LIABILITIES) / ASSETS		(2,870)	11,055
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Called up share capital	13	33	33
Additional paid up capital		27,408	27,408
Profit and loss account		(28,479)	(17,473)
Other reserves		(1,832)	1,087
		<hr/>	<hr/>
SHAREHOLDERS (DEFICIT) / FUNDS		(2,870)	11,055
		<hr/> <hr/>	<hr/> <hr/>

The financial statements of Vax Limited, registered number 1341840, were approved by the Board of Directors and authorised for issue on 27 September 2018 and signed on its behalf by:



D Lautenschläeger

Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31st December 2017

	Share capital £000	Additional capital contribution £000	Hedging reserve £000	Profit and loss account £000	Total £000
AT 1 JANUARY 2016	33	-	314	(3,253)	(2,906)
Loss for the financial year	-	-	-	(14,220)	(14,220)
Additional paid up capital	-	27,408	-	-	27,408
TOTAL COMPREHENSIVE INCOME					
Fair value gain on foreign currency forward contracts in hedge accounting	-	-	773	-	773
AT 31 DECEMBER 2016	33	27,408	1,087	(17,473)	11,055
AT 1 JANUARY 2017	33	27,408	1,087	(17,473)	11,055
Loss for the financial year	-	-	-	(10,889)	(10,889)
TOTAL COMPREHENSIVE (LOSS)					
Fair value loss on foreign currency forward contracts in hedge accounting	-	-	(2,919)	-	(2,919)
Fair value loss on foreign currency forward contracts reclassified to profit or loss	-	-	-	(117)	(117)
AT 31 DECEMBER 2017	33	27,408	(1,832)	(28,479)	(2,870)

STATEMENT OF ACCOUNTING POLICIES

31st December 2017

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies are described below and have been applied consistently in the current and preceding year.

General information and basis of preparation

Vax Limited is a private company, limited by shares, registered in England and incorporated in the United Kingdom in accordance with section 401 of the Companies Act 2006. The address of the registered office is given on page 3. The nature of the company's operations and its principal activities are set out in the strategic report on pages 4 and 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of Vax Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Vax Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The company has taken the exemption from preparing consolidated financial statements because it is a wholly owned subsidiary of the company Technic Industries Co. Ltd (TTI), incorporated in Hong Kong which prepares publicly available consolidated financial statements including the accounts of the company drawn up in a manner equivalent to the Seventh European company Law directive. The individual accounts of Vax Limited have adopted the following exemptions under section 1 of FRS 102:

- the requirement to present a statement of cashflow; and
- intra-group transactions.

These financial statements present information about the company as an individual undertaking and not about its group.

Going Concern

The company has a significant loan due to a group company as per note 12. Interest is charged on the inter-company loan, however, the interest only becomes payable when adequate funds are available. This loan has a maturity date of 30 November 2025.

During the year ended 31st December 2016, the company received capital contributions from Technic Industries Company Limited, being the Sole Shareholder of the company, by way of additional non-distributable reserves.

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company uses long-term debt finance from the parent company. The company manages its working capital through cash generated by its trading operations.

After making enquiries and reviewing cash flow forecasts and available facilities for a period of at least 12 months from the date of signing these financial statements, the Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. A letter of support is maintained from the Parent company which guarantees sufficient funds would be available to support the activities of Vax for the foreseeable future.

Accordingly, these financial statements have been prepared on a going concern basis.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost less estimated residual value of fixed assets by equal instalments over their estimated useful lives as follows:-

Fixtures, fittings, plant and equipment	3 – 15 years
Office and computer equipment	3 – 5 years
Tooling	over product life up to 5 years

Investments

Investments are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. Provision is made for obsolete and slow moving stock where appropriate.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 tax in the future or a right to pay less tax in the future are stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

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

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
31st December 2017

Turnover

Turnover represents sales less returns and allowances and excludes value added tax. Revenue is recognised on these transactions upon delivery of products to the marketing partners as all risks and rewards are transferred at this stage.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transactions or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The assets and liabilities of overseas branches are translated at the closing rates of exchange. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year.

Exchange differences arising on trading transactions are included in the profit and loss account.

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs). Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

Certain derivative financial instruments are designated as cash flow hedges that hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, is recognised in equity, with any ineffective portion recognised in the profit and loss account. When hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the profit and loss account in the same period in which the hedged cash flows affect the profit and loss account.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised in the profit and loss account.

When a hedging instrument is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the profit and loss account.

Research and development costs

Research and development costs in respect of clearly defined projects are recharged to other Group companies. The cost of other research and development is charged to the profit and loss account as incurred.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pension costs

The company operates a stakeholder pension scheme which is available to all UK employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts of contributions payable to the pension scheme are charged to the profit and loss account in respect of the accounting period to which they relate.

Financial liabilities and equity

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2017

1 **TURNOVER**

The company's turnover and results were derived wholly from the company's principal activity, the sale of goods, which is based in the United Kingdom.

	2017 £'000	2016 £'000
Sale of goods	93,501	120,772
Total turnover	93,501	120,772

The analysis of turnover by geographical destination is as follows:

	2017 £'000	2016 £'000
United Kingdom	84,286	110,974
Rest of Europe	1,418	3,081
Rest of World	7,797	6,717
	93,501	120,772

2 **INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2017 £'000	2016 £'000
Directors' emoluments		
Emoluments	1,179	503
Pension contributions	61	53
	1,239	556

Number of directors who are members of a defined contribution scheme

3	2
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	2017 £'000	2016 £'000
Remuneration of the highest paid director	668	260
Pension scheme contributions for highest paid director	2	22

Average number of persons employed	2017 Number	2016 Number
Production and research	30	56
Sales and distribution	204	291
Management and administration	33	43
	267	390

Staff costs during the year (including directors)	2017 £'000	2016 £'000
Wages and salaries	9,674	14,460
Social security costs	1,158	1,327
Pension costs (note 15)	416	522
Severance costs	169	1,043
	11,418	17,351

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31st December 2017

3 OPERATING LOSS

	2017 £'000	2016 £'000
Operating loss is stated after charging / (crediting):		
Depreciation – owned assets	1,767	1,962
Research and development		-
Foreign exchange losses	1,829	3,612
Rentals under operating leases		
- Plant and machinery	243	328
- Land and Buildings	1,664	1,813

Fees payable to the company's auditor for the audit of the annual report and financial statements is £50,000 (2016: £48,200)
 Fees payable to the company's auditor for other services to the company is £nil (2016: £nil).

4 OTHER OPERATING (EXPENSE)/INCOME

	2017 £'000	2016 £'000
R&D tax credit	(350)	-
R&D material usage	153	233
	(197)	233

The company is eligible to receive a R&D tax credit income benefit under the research and development expenditure credit (RDEC) scheme as introduced by HMRC and recognises the income as per FRS 102 paragraph 24.4, in the period it is received. In the year ended 31st December 2017 two tax credits were received; the first on 31 May 2017 totally £122k and the last on 31 August 2017 totalling £154k. This has been netted off against the write off of the 2014 and 2015 debtor for tax credits receivable as the amounts have now been finalised giving a net expense of £350k.

The company receives R&D material usage income from the TTI Group as part of it's investment in the research and development, and new product development of the Company.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Bank interest	877	1,355
Intercompany interest	1,403	1,250
	2,281	2,605

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31st December 2017

6 TAX ON PROFIT/LOSS

The tax charge comprises:

	2017 £'000	2016 £'000
Current tax		
UK corporation tax	-	-
Foreign tax	-	-
Underprovision in prior years	-	-
Deferred tax charge	-	-
Total tax charge	<u>-</u>	<u>-</u>

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 19.25% (2016: 19.25%). The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

Current Tax (Loss)	<u>(10,889)</u>	<u>(14,220)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.25% (2016 - 19.25%)	(2,096)	(2,737)
Tax effect of expenses not deductible for tax purposes	109	154
Tax effect of income not taxable for tax purposes	(53)	-
Tax effect of current year group relief received	958	1,611
Effect of change in tax rate	-	289
Tax (under) / over provided in previous years	-	(115)
Tax effect of tax losses and deductible temporary differences not recognised	1,083	798
Total tax charge for the year	<u>-</u>	<u>-</u>

Deferred Tax Asset	2017		2016	
	Recognised £'000	Not recognised £'000	Recognised £'000	Not recognised £'000
Accelerated capital allowances	-	626	-	498
Short term timing differences	-	654	-	(156)
Losses carried forward	-	5,449	-	3,275
R&D Credit	-	-	131	-
	<u>-</u>	<u>6,730</u>	<u>131</u>	<u>3,617</u>

Reconciliation of movements in deferred taxation

Balance at 1 January 2017	£'000
Tax (charge)/credit to profit or loss	-
R&D above the line tax credit	(131)
Balance at 31 December 2017	<u>-</u>

	2017 £'000	2016 £'000
Deferred tax assets	-	131
	<u>-</u>	<u>131</u>

Finance Act 2016 was 'substantively enacted' and 'fully enacted' on 6 and 15 September 2016 respectively. As a result, the deferred tax impact of the changes introduced by FA 2016 were recognised in year-end results under IFRS/FRS 102. The main rate of corporation tax will be reduced to 17% from 1 April 2020, by virtue of FA 2016 s 46.

There is a potential deferred tax asset (measured at the standard rate of 17% applicable from 1 April 2020) of £6,730,000 (2016: £3,618,000) for trading losses, accelerated capital allowances and other short term timing differences, which has not been recognised as there is insufficient evidence that the asset will be recovered. The asset would be recoverable if sufficient taxable profit arose in the company in the future against which the assets could be relieved.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31st December 2017

7 TANGIBLE FIXED ASSETS

	Tooling, fixtures & fittings, plant and equipment £'000
Cost	
At 1 January 2017	19,907
Additions	437
Disposals	(7,585)
	<hr/>
At 31 December 2017	12,759
	<hr/>
Accumulated depreciation	
At 1 January 2017	12,965
Charge for the year	1,767
Depreciation on disposals	(7,585)
	<hr/>
At 31 December 2017	7,147
	<hr/>
Net book value	
At 31 December 2017	5,612
	<hr/> <hr/>
At 31 December 2016	6,942
	<hr/> <hr/>

8 INVESTMENTS

During 2012 the company acquired a 100% interest in TTI Floor Care Southern Europe which contains the companies listed below. Principal activities of the subsidiary is the distribution of floor care products. The investment is recorded at cost plus incidental expenses, no potential impairment has been indicated. This investment comprises 100% of the issued equity share capital which is the only class of shares in issue.

TTI Floor Care France SAS
Registered in France
4, Allee du trat d'union
77127 Lieusaint, France

VAX Iberia SL
Registered in Spain
Plaza Santa Maria Soledad Torres
Acosta, Num. 1
Planta 4, Puerta 12
28004 Madrid, Spain

TTI Floor Care Italia SRL
Registered in Italy
Piazza Della Repubblica, 32
20100 Milano, Italy

	2017 £'000	2016 £'000
Subsidiary investment at cost	50	50
	<hr/> <hr/>	<hr/> <hr/>

9 STOCKS

	2017 £'000	2016 £'000
Finished goods and goods for resale	19,917	28,756
	<hr/> <hr/>	<hr/> <hr/>

There is no material difference between the balance sheet value of stocks and their replacement cost.

10 DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade debtors	25,936	43,548
Amounts due from group undertakings	16,358	12,686
Prepayments and accrued income	1,444	2,305
Derivative financial assets	-	1,919
R&D tax credit	-	496
	<hr/> <hr/>	<hr/> <hr/>
	43,739	60,954
	<hr/> <hr/>	<hr/> <hr/>

Trade debtors of £nil (2016: £35,431,000) are factored as part of an invoice discounting agreement with HSBC. The invoice discounting facility has not been utilised by the Company during 2017.

Amounts due from group undertakings are repayable on demand and no interest is chargeable on these balances.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31st December 2017

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Bank overdrafts (secured)	-	(16,779)
Trade creditors	(3,474)	(2,597)
Amounts owed to group undertakings	(38,009)	(42,901)
Other creditors, including taxation and social security	(46)	(620)
VAT payable	(164)	(258)
Derivative financial liabilities	(3,278)	-
Accruals and deferred income	(3,797)	(6,232)
	<u>(48,768)</u>	<u>(69,387)</u>

The prior year bank overdraft facility was secured by way of a standby letter of credit from the Parent company. The majority of the balance of amounts owed to group undertakings relates to the purchase of stock with repayment terms of 150 days, no interest is chargeable on group creditor balances.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £'000	2016 £'000
Loan from Parent undertaking	(28,392)	(16,392)
	<u>(28,392)</u>	<u>(16,392)</u>
Amounts owed to ultimate Parent undertaking	(28,392)	(16,392)
	<u>(28,392)</u>	<u>(16,392)</u>

The loan from Parent undertaking relates to cash advances which are unsecured and bear interest at 7.50%. The loan becomes payable on 30th November 2025.

During the year ended 31 December 2017 a new £12m loan was received from the Parent undertaking, relating to cash advances which are unsecured and bear interest at 10%. The loan becomes payable on 30 November 2027.

Interest payable is shown as part of Amounts owed to group undertakings in note 11 and totals £1,509,000 (2016: £106,000).

Maturity profile of financial liabilities

	2017 £'000	2016 £'000
After 5 years	(28,392)	(16,392)
	<u>(28,392)</u>	<u>(16,392)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31st December 2017

13 CALLED UP SHARE CAPITAL

	2017 No.	2017 £'000	2016 No.	2016 £'000
Authorised				
'A' ordinary shares of £1 each	29,500	30	29,500	30
'B' ordinary shares of £1 each	10,000	10	10,000	10
	<u>39,500</u>	<u>40</u>	<u>39,500</u>	<u>40</u>
Allotted and called up				
'A' ordinary shares of £1 each (£1 paid)	29,500	30	29,500	30
'B' ordinary shares of £1 each (25p paid)	3,000	3	3,000	3
	<u>32,500</u>	<u>33</u>	<u>32,500</u>	<u>33</u>

A & B shares rank pari passu in all respects both as to capital and dividends.

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

14 FINANCIAL COMMITMENTS

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000
- within one year	167	1,503	201	1,649
- between one and five years	449	7,560	622	7,121
- after five years	-	7,943	-	9,885
	<u>616</u>	<u>17,006</u>	<u>823</u>	<u>18,655</u>

15 PENSION ARRANGEMENTS

The company operates a defined contribution pension scheme, the Group Personal Pension Plan, for its full time UK employees. Contributions payable are charged to the profit and loss account in respect of the accounting period to which they relate. Any differences between amounts paid and payable are recognised as accruals or prepayments in the balance sheet.

The charge for the year amounted to £416,449 (2016: £522,364). Outstanding contributions at 31 December 2017 amounted to £48,976 (2016: £64,514).

16 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of Techtronic Industries Co Limited ("TTI"), the Company has taken advantage of the exemption contained in section 33 of FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the Group. The Company is included within the consolidated financial statements of TTI which are publicly available.

Other related party transactions

The total remuneration for key management personnel for the period totalled £1,239,000 (2016: £556,000), being remuneration disclosed in note 2 and share-based payment expenses of £nil (2016: £nil).

17 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is ultimately owned and controlled by its immediate Parent company Techtronic Industries Company Limited ("TTI"), being also its ultimate Parent company, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange. The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by TTI.

The consolidated financial statements of TTI can be obtained from the website: www.ttigroup.com

The registered address of TTI is:

29/F, Tower 2, Kowloon Commerce Centre
 51 Kwai Cheong Road
 Kwai Chung
 New Territories
 Hong Kong

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31st December 2017

18 FINANCIAL INSTRUMENTS

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2017 £'000	2016 £'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
Derivative financial assets (see note 10)	-	1,919
Measured at undiscounted amount receivable		
Trade and other debtors (see note 10)	25,936	43,548
Amounts due from group undertakings (see note 10)	16,358	12,686
Cash at bank and in hand		
Equity instruments measured at cost less impairment		
Fixed asset investments in unlisted equity instruments (see note 8)	50	50
	<u>42,345</u>	<u>58,203</u>
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
Derivative financial liabilities (see note 10)	(3,278)	-
Measured at amortised cost		
Loans payable (see note 12)	(28,392)	(16,392)
Measured at undiscounted amount payable		
Bank overdraft (see note 11)	-	(16,779)
Trade and other creditors (see note 11)	(3,474)	(2,597)
Amounts owed to group undertakings (see note 11)	(38,009)	(42,901)
	<u>(73,153)</u>	<u>(78,669)</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

Interest income and expense		
Total interest expense for financial liabilities at amortised cost (see note 5)	2,281	2,605
Fair value gains and losses		
On derivative financial assets designated in an effective hedging relationship	(867)	3,460

19 DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

	Average contractual exchange rate		Notional Value		Fair value	
	2017 rate	2016 rate	£'000	£'000	£'000	£'000
Outstanding contracts						
Sell GBP	1.275	1.284	51,778	59,983	(3,278)	1,919
Less than 3 months						
			<u>51,778</u>	<u>59,983</u>	<u>(3,278)</u>	<u>1,919</u>

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The company has entered into contracts to supply goods to customers in United Kingdom, Europe and Rest of World. The company has entered into forward foreign currency contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges. The hedged cash flows are expected to occur and to affect profit or loss within the next financial year.

Hedge effectiveness during the year resulted in losses of £3,036,000 (2016: gains of £773,000) and were recognised in other comprehensive income.