Registered Number: 01341840

VAX LIMITED

Annual Report and Financial Statements

for the financial year ended 31 December 2019

ANNUAL REPORT AND FINANCIAL STATEMENTS 201[illegible]

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OFFICERS AND PROFESSIONAL ADVISORS

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D Winterbottom
D Lautenschlaeger

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BANKERS
HSBC Bank PLC
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SOLICITORS
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Seebeck House
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AUDITOR
Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

STRATEGIC REPORT

BUSINESS REVIEW

During the year the principal activities of Vax Limited (the "Company" or "Vax") were the development and distribution of a range of floor care products.

The Vax business made outstanding progress during the year developing the key strategic categories of Cordless cleaning and Carpet Washers. 2019 was a year of transition for the Company with total sales decreasing by 7% to £103m (2018: £110m) as the business continued to shift away from old generation corded products and more towards new technology and cordless platforms.

Vax have been disciplined in transitioning from dated legacy corded floor care products to high-performance cordless which has resulted in the successful strategic exit of a number of low margin products and customers, and improved our profitability considerably with our gross profit margin percentage rising to 38% (2018: 32%) in the year.

The business continued its focus on expanding cordless product families by further investing in core lithium battery platforms and developing state-of-the art floor care cordless products with demonstrable end-user benefits. The BLADE cordless stick vac range, in particular the BLADE 2 MAX, continued on from 2018 as a strong sales contributor to the Company, representing this focus.

Alongside the cordless expansion, the business saw substantial growth in the carpet washing category, driven by Vax PLATINUM POWER MAX. Launched in 2018, it is now the UK's number one best-selling carpet washer and is proven to out clean the UK's leading rental machine. It removes 93% of bacteria, leaving carpets looking, feeling and smelling like new. For ease of use, in quick clean mode, carpets are dry in under an hour.
Vax is the UK's number one name in carpet washing and our antimicrobial carpet washers are the most hygienic way to clean your carpets. The antimicrobial treatment protects machines brushes from bacteria and fungi, reducing growth by up to 99%.

In order to improve the business consistent with the strategy, the Company has been streamlining operations by reducing legacy overheads and focusing on cordless and highly selective technically advanced corded products. Vax Limited is deploying a strategic plan designed to transform and revitalise 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.

The Coronavirus is a global concern and with the situation as it currently stands today, we believe that we are well positioned given our diversified manufacturing base and supply chain to deal with the challenges that may present themselves and we are confident we will be able to deliver a solid 2020.

The Company also 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 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 economic uncertainty surrounding Coronavirus impacts, Brexit and the effects on foreign currency, as well as the market shift out of legacy corded products and into cordless products. However, Vax is positioning investment in R&D towards carpet washing and cordless technology and remaining focused on driving operational efficiencies in parallel with driving revenue growth in Cordless. The Company has confidence in the future developments and potential of Vax as it continues to position its business to deliver consistently improving financial results in the years ahead.

FUTURE DEVELOPMENTS

The Company has confidence in the future developments of the Vax floor care products with an already successful start to the 2020 year following the launch of our new ONEPWR range of cordless products in January 2020.

Vax ONEPWR is a new complete cordless cleaning system powered by the revolutionary ONEPWR battery, our most advanced technology yet. The new ONEPWR range includes:

ONEPWR BLADE 3 a cordless vacuum cleaner that has a specially designed floorhead which complements its powerful motor, ensuring optimal pick up on all floor surfaces and with the cleaning performance of the best-selling corded uprights.

ONEPWR BLADE 4 a cordless vacuum cleaner powered by our best ever Vax CoreTM controlled brushless motor. Proven to clean carpets better than the UK's top 3 best-selling cordless vacuums.

ONEPWR GLIDE an all-in-one multi-surface hard floor cleaner that takes the effort out of cleaning hard floors because it vacuums, washes and dries at the same time and all using the Vax ONEPWR solution that kills 99.9% of bacteria.

ONEPWR SPOTLESSGO a cordless spot washer that allows you to deal with any unexpected spills and stains quickly and easily, getting to work fast on your carpets, hard floors, upholstery or car interior, plus, combined with Vax ONEPWR multi-floor solution, it kills over 99% of bacteria at the same time.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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 rates to ensure certainty of cash flows.

CREDIT RISK

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

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. 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.

ECONOMIC RISK

The Company is exposed to changes in the general economic outlook and retail conditions in its principal markets.

INTEREST RISK

Interest bearing assets and liabilities are held at fixed rates 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. Management review these terms and the relationships with suppliers and customers and manage any exposure on normal trade terms.

STRATEGIC REPORT (continued)

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 KPIs that are part of this review process include sales turnover change, gross profit percentage, overhead costs as a percentage of revenue and operating profit percentage. Working capital measurement includes inventory days and debtor days.

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 KPIs 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 KPIs:

	2019	2018
Turnover change[1]	-7%	18%
Gross profit percentage[2]	38%	32%
Overhead costs percentage[3]	29%	25%
Operating profit/(loss) percentage[4]	1%	-3%
Inventory days[5]	138	68
Debtor days[6]	53	70
Headcount change[7]	0%	-15%

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 the Company's 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. Overhead costs percentage is determined as overhead costs expressed as a percentage of turnover. The rise in the year is due to the increase in strategic spend such as advertising and promotional activities to maintain cordless and carpet washing sales growth momentum and continual margin improvements.

4. Operating profit/(loss) percentage is calculated as operating profit/(loss) expressed as a percentage of turnover. The increase in the year is mostly attributable to the change in product portfolio in the year.

5. Inventory days represent the average number of days the Company holds its inventory before selling it. The increase in the year is due to the change in the product portfolio as the business continues its transition towards a more premium brand. As a result the average unit cost has increased considerably in the year.

6. Debtor days are presented as the average number of days the Company takes to collect cash from its trade debtors. The reduction in the year is predominantly due to customer portfolio and growth in the Company's direct business.

7. Headcount change is defined as the movement in the number of average heads expressed as a percentage of the prior year average headcount. There has been no change in headcount in the year.

STRATEGIC REPORT (continued)

COMPANY STAKEHOLDER ENGAGEMENT

Vax has a broad range of stakeholders, who are taken into consideration by the company during the course of its operations.

Employees, customers, suppliers, and the broader community are our key stakeholder groups. We maintain regular communication with regulatory authorities, business partners, customers, suppliers, employees, and community members to understand their priorities and sustainability-related concerns.

The table below identifies our key stakeholders, their main areas of interest that inform the content of our reporting, and the ways that we engage with them.

Stakeholder Groups	Key Concerns / Areas of Interest	Engagement channels	Frequency
Employees	- Working terms, conditions and benefits - Equal opportunities - Health, safety and wellness - Training and development - Governance - Community engagement	- Compliance hotline - TTI Group Intranet - Learn TTI e-learning platform - Face-to-face trainings	- Ongoing basis - Annual compliance training - Topic-specific training available all year round
Customers	- Social and environmental responsibility - Modern slavery - Packaging - Battery recycling - Quality of products, including safety and environmental impact - Circular economy - Transport, storage and recycling of products	- Acknowledge customers' policies and codes - Conduct audits and implement corrective action plans in accordance with TTI's requirements and communicate regularly on progress - Focus groups at product development stage - Customer service	- Ongoing basis - Declarations and audits once a year - Product presentation conferences on ad-hoc basis
Suppliers	- Governance - Anti-corruption - Social and environmental responsibility - Quality of products including safety and environmental impact	- Compliance hotline - Regular meetings - On-site visits from our quality employees	- Ongoing basis
Community	- Diversity of employees - Equal opportunities - Training and development programs - Social and environmental responsibility - Product and manufacturing health and safety	- Learn TTI e-learning platform - HR recruitment policies - Community events with local associations	- Ongoing basis

Section 172(1) statement
The Directors' regard to the matters set out in s.172(1)(a-f) of the Companies Act is embedded in the decision-making process, business strategy, culture, governance framework and stakeholder engagement process. The Directors are focused on achieving a long term success for the Company, taking into account the impact of relevant factors and stakeholder interests on the Company's performance. The Directors identify and manage principal risks facing the business and promote a culture of the highest standards of business conduct. The Directors ensure that the Company's values are communicated to the employees and embedded in the policies and procedures, employee induction and training programmes and the risk management framework. The Directors recognise that building strong and lasting relationships with the Company's stakeholders will help to deliver the long-term strategy and operate a sustainable business.
The information set out in the Strategic report and the Directors' report should also be used to identify information relevant to s.172(1) factors.

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

Company Director
D Winterbottom
Date: 21 December 2020

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

FUTURE DEVELOPMENTS

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

CAPITAL CONTRIBUTIONS

There were no capital contributions during the year ended 31 December 2019 (2018: £nil).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of financial risk management objectives and policies can be found in the Strategic report on page 4.

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.

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.

RESEARCH AND DEVELOPMENT

The TTI Group continues to invest in research and development expenditure. 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 expenditure of £3,700,000 (2018: £3,363,000) was recharged to Techtronic Floor Care Technology Limited, a fellow subsidiary of ultimate parent company Techtronic Industries Company Limited, during the year.

DIRECTORS

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

A Duarte (resigned 4 February 2019)
D Winterbottom
D Lautenschlaeger

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company has two significant loans due to a group company as per note 12. Interest is charged on the intercompany loans and is repaid in annual instalments. 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 its 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.

The Coronavirus is a global concern and with the situation as it currently stands today, we believe that we are well positioned given our diversified manufacturing base and supply chain to deal with the challenges that may present themselves and we are confident we will be able to deliver a solid 2020.

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.

DIVIDENDS

The directors do not recommend the payment of a dividend (2018: £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 Winterbottom
Date: 21 December 2020

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 of Vax Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 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 21.

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 Financial Reporting Council's (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 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 of 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 FRC'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.

LClamp

Louise Clamp (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date: 21 December 2020

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2019

	Note	2019 £000	2018 £000
TURNOVER	1	102,600	110,092
Cost of sales		(63,335)	(75,376)
GROSS PROFIT		39,265	34,716
Distribution costs		(9,329)	(10,830)
Administrative expenses		(29,573)	(27,259)
Other operating income	4	821	431
		(38,081)	(37,658)
OPERATING PROFIT / (LOSS)	3	1,184	(2,942)
Interest payable and similar expenses	5	(3,354)	(2,935)
(LOSS) BEFORE TAXATION		(2,170)	(5,877)
Tax result	6	-	-
(LOSS) AFTER TAXATION FOR THE FINANCIAL YEAF		(2,170)	(5,877)

All activities are derived from continuing operations.

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

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 £000	2018 £000
(LOSS) FOR THE FINANCIAL YEAR		(2,170)	(5,877)
Cash flow hedges			
(Loss) / gain arising during the period		(2,911)	3,839
Less: reclassified to profit or loss		-	-
OTHER COMPREHENSIVE (LOSS) / PROFIT	20	(2,911)	3,839
TOTAL COMPREHENSIVE (EXPENSE)		(5,081)	(2,038)

BALANCE SHEET
As at 31 December 2019

	Note	2019 £000	2018 £000
FIXED ASSETS			
Tangible assets	7	4,083	5,095
Investments	8	-	-
		4,083	5,095
CURRENT ASSETS			
Stocks	9	21,710	20,639
Debtors	10	26,181	36,015
Cash at bank and in hand		15,924	17,697
		63,815	74,351
CREDITORS: amounts falling due within one year	11	(49,495)	(55,462)
NET CURRENT ASSETS		14,320	18,889
TOTAL ASSETS LESS CURRENT LIABILITIES		18,403	23,984
CREDITORS: amounts falling due after more than one year	12	(28,392)	(28,392)
PROVISIONS FOR LIABILITIES	13	-	(500)
NET (LIABILITIES)		(9,989)	(4,908)
CAPITAL AND RESERVES			
Called up share capital	14	33	33
Share premium account	21	27,408	27,408
Profit and loss account	21	(36,526)	(34,356)
Hedging reserve	21	(904)	2,007
SHAREHOLDERS (DEFICIT)		(9,989)	(4,908)

The financial statements of Vax Limited, registered number 01341840, were approved by the Board of Directors and authorised for issue on and signed on its behalf by:

D Winterbottom
Director

21 December 2020

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Share capital £000	Share premium account £000	Hedging reserve £000	Profit and loss account £000	Total £000
AT 1 JANUARY 2018	33	27,408	(1,832)	(28,479)	(2,870)
Loss for the financial year	-	-	-	(5,877)	(5,877)
Fair value gain on foreign currency forward contracts in hedge accounting	-	-	3,839	-	3,839
TOTAL COMPREHENSIVE (EXPENSE)	-	-	3,839	(5,877)	(2,038)
AT 31 DECEMBER 2018	33	27,408	2,007	(34,356)	(4,908)
AT 1 JANUARY 2019	33	27,408	2,007	(34,356)	(4,908)
Loss for the financial year	-	-	-	(2,170)	(2,170)
Fair value loss on foreign currency forward contracts in hedge accounting	-	-	(2,911)	-	(2,911)
TOTAL COMPREHENSIVE (EXPENSE)	-	-	(2,911)	(2,170)	(5,081)
AT 31 DECEMBER 2019	33	27,408	(904)	(36,526)	(9,989)

STATEMENT OF ACCOUNTING POLICIES
Year ended 31 December 2019

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 to 7.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with 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 Techtronic 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 disclosure exemptions under section 1 of FRS 102:

- financial instrument disclosures;
- 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 two significant loans due to a group company as per note 12. Interest is charged on the intercompany loans and is repaid in annual instalments. 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 its 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.

The Coronavirus is a global concern and with the situation as it currently stands today, we believe that we are well positioned given our diversified manufacturing base and supply chain to deal with the challenges that may present themselves and we are confident we will be able to deliver a solid 2020.

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:-

Leasehold improvements	10 – 15 years
Moulds and tooling	2 years
Computer equipment	3 – 5 years
Office equipment, fixtures and fittings	1 – 10 years

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
Year ended 31 December 2019

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, duties, 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 have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in 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 taxable 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.

Turnover

Turnover represents sales less returns and allowances and excludes value added tax.

Sale of goods - internet based transactions

The Company sells goods via its website for delivery to the customer. Revenue is recognised when the risks and rewards of the inventory are passed to the customer which is at the point of acceptance of the goods by the customer. Transactions are settled by credit or payment card.

Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.

Sale of goods - retail

The Company also sells goods to retail customers. Revenue is recognised when the risks and rewards of the inventory are passed to the customer which is when the goods have been delivered to the customer. Transactions are settled on credit.

Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
Year ended 31 December 2019

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.

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 balance sheet 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

The Company as a lessee

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.

The Company as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
Year ended 31 December 2019

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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by de finition, seldom equal the related actual results. The Directors consider there to be no critical accounting judgements or key sources of estimation uncertainty in the preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

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.

	2019 £'000	2018 £'000
Sale of goods	102,600	110,092
Total turnover	102,600	110,092

The analysis of turnover by geographical destination is as follows:

	2019 £'000	2018 £'000
United Kingdom	93,791	101,377
Rest of Europe	476	1,293
Rest of World	8,333	7,422
	102,600	110,092

2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2019 £'000	2018 £'000
Directors' emoluments		
Emoluments	792	688
Pension contributions	24	40
	816	728
Number of directors who are members of a defined contribution scheme	1	2

	2019 £'000	2018 £'000
Remuneration of the highest paid director	458	364
Pension scheme contributions for highest paid director	24	23

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The average monthly number of employees (including executive directors) was:

	2019 Number	2018 Number
Production and research	40	41
Sales and distribution	152	155
Management and administration	37	32
	229	228

Staff costs during the year (including directors)	2019 £'000	2018 £'000
Wages and salaries	9,278	11,264
Social security costs	931	937
Pension costs (note 16)	413	382
Severance costs	213	221
	10,835	12,804

3 OPERATING LOSS

Operating loss is stated after charging/(crediting):	2019 £'000	2018 £'000
Depreciation – owned assets	1,077	1,595
Foreign exchange gains	(3,843)	(2,671)
Rentals under operating leases		
- Plant and machinery	217	207
- Land and Buildings	1,689	1,830
Cost of stock recognised as an expense	58,329	73,329
Impairment of stock	437	75
Research and development	3,700	3,363

Research and development expenditure of £3,700,000 (2018: £3,363,000) was recharged to Techtronic Floor Care Technology Limited, a fellow subsidiary of ultimate parent company Techtronic Industries Company Limited, during the year.

Fees payable to the Company's auditor for the audit of the annual report and financial statements is £54,000 (2018: £51,000).

Fees payable to the Company's auditor for other services to the Company is £nil (2018: £nil).

4 OTHER OPERATING INCOME

	2019 £'000	2018 £'000
R&D tax credit	270	-
R&D material usage	185	168
Rental income	366	263
	821	431

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

4 OTHER OPERATING INCOME (CONTINUED)

The Company is eligible to receive a R&D tax credit income benefit under the R&D 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 31 December 2019, a tax credit of £270,000 was received. No tax credits were received in 2018.

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

5 INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Bank interest	908	489
Intercompany interest	2,446	2,446
	3,354	2,935

6 TAX ON LOSS

The tax charge/(credit) comprises:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	-	-
Foreign tax	-	-
Under provision in prior years	-	-
Deferred tax charge	-	-
Total tax charge	-	-

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%). The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2019	2018
Current Tax		
(Loss) before taxation	(2,170)	(5,877)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2018 - 19%)	(412)	(1,117)
Expenses not deductible for tax purposes	256	173
Income not taxable	-	-
Deductible temporary differences not recognised	156	944
Total tax charge/(credit) for the year	-	-

Deferred Tax Asset	2019		2018	
	Recognised £'000	Not recognised £'000	Recognised £'000	Not recognised £'000
Accelerated capital allowances	-	692	-	1,054
Short term timing differences	-	910	-	216
Losses carried forward	-	6,444	-	6,067
	-	8,046	-	7,338

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

6 TAX ON LOSS (CONTINUED)

There is a potential deferred tax asset of £8,046,000 (2018: £7,338,000) 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.

The potential deferred tax asset was measured at 17% as the main corporation tax rate applicable from 1 April 2020 which was enacted at the balance sheet date in accordance with Finance Act 2016. On 11 March 2020, the Government announced that the main corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%, which was substantively enacted on 17 March 2020.

As the Company recognises no deferred tax arising on timing differences, there will be no measurable impact of the increase in the future tax rate on the Company's deferred tax.

The unrecognised deferred tax assets of £617,000 relating to interest disallowed under corporate interest restriction rules can be carried forward for 5 years. The remaining unrecognised deferred tax assets of £7,429,000 can be carried forward indefinitely with no expiry date.

7 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Moulds and tooling £'000	Computer equipment £'000	Office equipment, fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2019	5,391	1,022	2,226	2,832	11,471
Additions	546	-	87	-	633
Disposals	(2,406)	(1,022)	(755)	(841)	(5,024)
At 31 December 2019	3,531	-	1,558	1,991	7,080
Accumulated depreciation					
At 1 January 2019	2,141	991	1,391	1,853	6,376
Charge for the year	536	31	382	128	1,077
Depreciation on disposals	(1,963)	(1,022)	(755)	(716)	(4,456)
At 31 December 2019	714	-	1,018	1,265	2,997
Net book value					
At 31 December 2019	2,817	-	540	726	4,083
At 31 December 2018	3,250	31	835	979	5,095

The Company had no capital commitments (2018: £nil) as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

8 INVESTMENTS

During 2012 the Company acquired a 100% interest in TTI Floor Care Southern Europe which contains the companies listed below. The principal activity of the subsidiary was the trading of floor care products. The investment was recorded at cost plus incidental expenses. It was fully impaired after the TTI Floor Care Southern Europe business was closed and ceased trading at the end of 2019. This investment comprises 100% of the issued equity share capital which is the only class of shares in issue.

Name of subsidiaries	Place of Incorporation	Class of shares	Holding	Principal activity
TTI Floor Care France SAS	France	100%	Ordinary	Trading of floor care products
VAX Iberia SL	Spain	100%	Ordinary	Trading of floor care products
TTI Floor Care Italia SRL	Italy	100%	Ordinary	Trading of floor care products

Name of subsidiaries	Registered address
TTI Floor Care France SAS	4, Alle du trat d'union 77127 Lieusaint, France
VAX Iberia SL	Plaza Santa Maria Soledad Torres Acosta, Num. 1 Planta 4, Puerta 12 28004 Madrid, Spain
TTI Floor Care Italia SRL	Piazza Della Repubblica, 32 20100 Milano, Italy

	Investments in subsidiaries £'000
Cost	
At 1 January 2019 and 31 December 2019	50
Impairment	
At 1 January 2019	50
Charge for the year	-
At 31 December 2019	50
Net book value	
At 31 December 2019	-
At 31 December 2018	-

9 STOCKS

	2019 £'000	2018 £'000
Finished goods and goods for resale	21,710	20,639

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

10 DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade debtors	12,853	17,373
Amounts due from group undertakings	11,479	13,187
Prepayments and accrued income	1,849	1,164
Derivative financial assets	-	4,291
	26,181	36,015

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

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank overdrafts (secured)	(1,075)	(2,213)
Trade creditors	(2,810)	(1,737)
Amounts owed to group undertakings	(36,938)	(45,458)
Other creditors, including taxation and social security	(40)	(93)
VAT payable	(890)	(1,117)
Derivative financial liabilities	(1,830)	-
Accruals and deferred income	(5,912)	(4,844)
	(49,495)	(55,462)

The bank overdraft facility is secured by way of a standby letter of credit from the parent company.

Amounts owed to group undertakings includes a balance of £24,445,000 (2018: £35,634,000) which relates to the purchase of stock with repayment terms of 150 days.

The remaining amounts owed to group undertakings relate mostly to transfer pricing adjustments of £9,193,000 and non-trading amounts owed to TTI Floor Care France SAS of £3,017,000.

No interest is chargeable on group creditor balances. All creditor balances are unsecured.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
7.5% loan from ultimate parent undertaking	(16,392)	(16,392)
10% loan from ultimate parent undertaking	(12,000)	(12,000)
	(28,392)	(28,392)

Both loans owed to the ultimate parent undertaking relate to cash advances which are unsecured and bear a fixed rate of interest. The 7.5% loan becomes payable on 30 November 2025 and the 10% loan becomes payable on 30 November 2027.

Interest payable is shown as part of amounts owed to group undertakings in note 11 and totals £206,000 (2018: £206,000).

Maturity profile of amounts owed to ultimate parent undertaking

	2019 £'000	2018 £'000
Within one year	(36,938)	(45,458)
Between one and five years	-	-
After five years	(28,392)	(28,392)
	(65,330)	(73,850)

13 PROVISIONS FOR LIABILITIES

The Company had the following provisions during the year:

	Dilapidations provision £'000
At 1 January 2019	500
Additions dealt with in profit or loss	-
Utilised in the year	(500)
At 31 December 2019	-

As part of the Company's property leasing arrangements there was an obligation to repair damages which incurred during the life of the lease, such as wear and tear. The cost was charged to profit and loss as the obligation arose. The provision has been fully utilised in 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

14 CALLED UP SHARE CAPITAL

	2019 No.	£'000	2018 No.	£'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
	39,500	40	39,500	40
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
	32,500	33	32,500	33

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

15 FINANCIAL COMMITMENTS

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

	2019 Plant and machinery £'000	2019 Land and buildings £'000	2018 Plant and machinery £'000	2018 Land and buildings £'000
Within one year	199	1,702	199	1,546
Between one and five years	191	6,005	390	6,642
After five years	-	4,937	-	6,001
	390	12,643	589	14,189

16 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 £413,000 (2018: £382,000). Outstanding contributions at 31 December 2019 amounted to £nil (2018: £50,000).

17 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of Techtronic Industries Company Limited, 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 Techtronic Industries Company Limited which are publicly available.

Other related party transactions

The total remuneration for key management personnel for the period totalled £816,000 (2018: £728,000), being remuneration disclosed in note 2 and share-based payment expenses of £nil (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

18 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company is ultimately owned and controlled by its immediate parent company, Techtronic Industries Company Limited, 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, and which include this company, is that headed by Techtronic Industries Company Limited.

The consolidated financial statements of Techtronic Industries Company Limited can be obtained from the website: www.ttigroup.com.

The registered address of Techtronic Industries Company Limited is:

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

19 FINANCIAL INSTRUMENTS

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

	2019 £'000	2018 £'000
Financial assets		
Measured at fair value and designated in an effective hedging relationship		
Derivative financial assets (see note 10)	-	4,291
Measured at undiscounted amount receivable		
Trade and other debtors (see note 10)	12,853	17,373
Amounts due from group undertakings (see note 10)	11,479	13,187
Cash at bank and in hand	15,924	17,697
	40,256	52,548
Financial liabilities		
Measured at fair value and designated in an effective hedging relationship		
Derivative financial liabilities (see note 11)	(1,830)	-
Measured at amortised cost		
Loans payable (see note 12)	(28,392)	(28,392)
Measured at undiscounted amount payable		
Bank overdraft (see note 11)	(1,075)	(2,213)
Trade and other creditors (see note 11)	(2,810)	(1,737)
Amounts owed to group undertakings (see note 11)	(36,938)	(45,458)
	(71,045)	(77,800)

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

	2019	2018
Interest income and expense (see note 5)		
Total interest expense for financial liabilities at amortised cost (see note 5)	3,354	2,935
Fair value (losses) / gains		
On derivative financial (liabilities) / assets designated in an effective hedging relationship	(1,308)	274

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2019

20 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	
Expiry of outstanding contracts	**2019 rate**	**2018 rate**	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Sell GBP	1.307	1.399	73,389	48,587	(1,830)	4,291
			73,389	48,587	(1,830)	4,291

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 £2,911,000 (2018: gains of £3,839,000) and were recognised in other comprehensive income.

21 RESERVES

Called up share capital

Represents the nominal value of shares that have been issued.

Share premium account

Includes any premiums received on issues of share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid up capital.

Profit and loss account

Includes all current and prior year retained profits and losses, less dividends paid.

Hedging reserve

The hedging reserve is used to record transactions arising from the Company's cash flow hedging arrangements.