

Company Registration No. 02533691 (England and Wales)

EXACTAFORM CUTTING TOOLS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

THURSDAY



AAGJ1KU2

A06

04/11/2021

#200

COMPANIES HOUSE

EXACTAFORM CUTTING TOOLS LIMITED

COMPANY INFORMATION

Directors	Mr P Raynor Mr J White Mr A Nagra Mr J A Inglis
Company number	02533691
Registered office	Prologis Park Central Boulevard Coventry United Kingdom CV6 4QJ
Auditor	Azets Audit Services 6th Floor, Bank House 8 Cherry Street Birmingham United Kingdom B2 5AL

EXACTAFORM CUTTING TOOLS LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Statement of income and retained earnings	8
Balance sheet	9
Notes to the financial statements	10 - 24

EXACTAFORM CUTTING TOOLS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Fair review of the business

Operating from its purpose-built factory in Coventry, the objective of the Company continues to be the provision of cutting tool solutions for its international customer base, predominantly within aerospace and automotive applications. Sustainable growth has historically been achieved through building close relationships and offering tailored solutions and high-quality products aligned to customer requirements.

The global impact of the COVID pandemic paused the Company's recent year-on-year growth trend and Company turnover decreased by 10% from £9.1m in 2019 to £8.3m in 2020. However, margins remained strong and overheads were controlled such that the Company returned an operating profit of £2.3m. Furthermore, cash balances increased by £0.8m to £2.7m. In light of the challenges faced during the pandemic, the directors considered performance to be robust and a reflection of the strength of the business overall.

Principal risks and uncertainties

Supply risk

Brexit has had a minimal impact upon the business. However, with machines and raw materials continuing to be sourced mostly from within the EU, the Company continues to review specific risks including continuity of supply, exchange rate risk and labour availability. Stock levels are continually reviewed to ensure continuity of supply, while exchange rates are monitored, and forward contracts are utilised where deemed appropriate. Labour disruption impact is considered to be low and recruitment policy further mitigates this risk.

Covid pandemic

The Covid pandemic remains the single largest uncontrollable risk faced by the Company. However, due to a balanced customer and geographical profile, the Company remained resilient throughout 2020 and has seen an upturn in performance in 2021. The Company remained open throughout the pandemic with limited use of available funding and this history, combined with the vaccine rollout, provides the directors with confidence that possible future risks from the pandemic can be effectively managed.

Capital investment

Continued capital investment is key to maintaining the Company's competitive advantage by allowing it to remain at the forefront of technology and further improve manufacturing capability and capacity to support future growth plans.

Competition

Together with a balanced customer base, competition risk is mitigated through continuous improvement activity to achieve and maintain operational excellence, thus providing an enhanced customer experience.

Future Plans

Moving on from the pandemic, the Company is targeting a return to year-on-year sales growth, including diversification into new product lines and markets.

The Company has witnessed a clear upturn in 2021 and the directors remain confident in achieving these goals.

EXACTAFORM CUTTING TOOLS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators

The board reviews a variety of key performance indicators on a regular basis. These include:

Sales,

Gross margins,

Productivity,

Production efficiency, and

Overheads as a proportion of sales.

All key performance indicators are reviewed in the context of detailed budgets and forecasts.

Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future for at least 12 months from the approval of the financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

At the year end, Exactaform Cutting Tools Limited had achieved gross and operating profits of £4.2m (2019 - £4.4m) and £2.3m (2019 - £2.8m) respectively, while presenting a net current asset position of £3.7m (net of intercompany debtors) (2019 - £3.2m). After making enquiries and reviewing the latest profit and cashflow forecasts for at least 12 months from approval of these financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for a minimum of 12 months from the date of approval of these financial statements, meeting liabilities as they fall due.

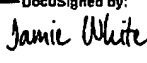
On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 as a global pandemic which has resulted in unprecedented global economic consequences. Consequently, whilst the operating profit for the year ended 31 December 2020 has fallen by 18% compared to the prior year, future forecasts show a recovery in 2021 and beyond. Furthermore, the cash position remains strong, increasing by 44% for the year ended 31 December 2020 when compared to the prior year.

The directors have used the pandemic as an opportunity to streamline the business and invest for the future to ensure the Company is well placed to deliver its forecasted growth plans. They have therefore concluded that the impact of COVID-19 does not create a material uncertainty in relation to going concern.

For the reasons set out above, the directors have prepared the financial statements on a going concern basis and have concluded that there are no material uncertainties related to going concern.

Approved on behalf of the board on 29/10/2021 and signed on its behalf

.....
Mr J White
Director
.....

DocuSigned by:

0E2B358D2FB24AF...

EXACTAFORM CUTTING TOOLS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the company continued to be that of manufacturing cutting tools.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid to the parent company, IRW Limited, amounting to £1,464,282. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr P Raynor
Mr J White
Mr A Nagra
Mr J A Inglis

Auditor

In accordance with the company's articles, a resolution proposing that Azets Audit Services be reappointed as auditor of the company will be put at a General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future events and going concern.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Approved on behalf of the board on 29/10/2021 and signed on its behalf

.....
Mr J White
Director

DocuSigned by:
Jamie White
0E2B356D2FB24AF...

EXACTAFORM CUTTING TOOLS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's 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.

EXACTAFORM CUTTING TOOLS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EXACTAFORM CUTTING TOOLS LIMITED

Opinion

We have audited the financial statements of Exactaform Cutting Tools Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

EXACTAFORM CUTTING TOOLS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EXACTAFORM CUTTING TOOLS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

Auditor's responsibilities for the audit of the financial statements

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

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

EXACTAFORM CUTTING TOOLS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EXACTAFORM CUTTING TOOLS LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Azets Audit Services

Laura Hinsley FCCA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

29 October 2021

Statutory Auditor

6th Floor, Bank House
8 Cherry Street
Birmingham
United Kingdom
B2 5AL

EXACTAFORM CUTTING TOOLS LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS****FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Turnover	3	8,268,259	9,142,262
Cost of sales		(4,100,321)	(4,748,302)
Gross profit		4,167,938	4,393,960
Administrative expenses		(2,139,185)	(1,675,271)
Other operating income		252,284	59,513
Operating profit	4	2,281,037	2,778,202
Interest receivable and similar income	7	3,907	2,435
Interest payable and similar expenses	8	-	(3,558)
Profit before taxation		2,284,944	2,777,079
Tax on profit	9	(431,156)	(243,304)
Profit for the financial year		1,853,788	2,533,775
Retained earnings brought forward		10,294,460	9,622,875
Dividends	10	(1,464,282)	(1,862,190)
Retained earnings carried forward		10,683,966	10,294,460

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There were no items of comprehensive income (2019: £nil).

The notes on pages 10 to 24 form part of these financial statements.

EXACTAFORM CUTTING TOOLS LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	12		2,837,545		2,937,069
Current assets					
Stocks	13	904,850		1,053,135	
Debtors	14	5,766,161		5,677,603	
Cash at bank and in hand		2,686,036		1,868,950	
			9,357,047		8,599,688
Creditors: amounts falling due within one year	16	(984,738)		(728,788)	
Net current assets			8,372,309		7,870,900
Total assets less current liabilities			11,209,854		10,807,969
Creditors: amounts falling due after more than one year	17		(139,582)		(152,208)
Provisions for liabilities			(376,184)		(351,179)
Net assets			10,694,088		10,304,582
Capital and reserves					
Called up share capital	21		222		222
Share premium account			9,900		9,900
Profit and loss reserves			10,683,966		10,294,460
Total equity			10,694,088		10,304,582

The financial statements were approved by the board of directors and authorised for issue on 29/10/2021 and are signed on its behalf by:

.....
Mr J White
Director

DocuSigned by:
Jamie White
0E2B358D2FB24AF...

Company Registration No. 02533691

The notes on pages 10 to 24 form part of these financial statements.

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Exactaform Cutting Tools Limited is a private company limited by shares incorporated in England and Wales. The registered office is Prologis Park, Central Boulevard, Coventry, United Kingdom, CV6 4QJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive Income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of IRW Limited. These consolidated financial statements are available from its registered office, Prologis Park, Central Boulevard, Coventry, CV6 4QJ.

The financial statements present information about the company as an individual entity and not about its group.

Exactaform Cutting Tools Limited is a wholly owned subsidiary of IRW Limited and the results of Exactaform Cutting Tools Limited are included in the consolidated financial statements of IRW Limited.

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future for at least 12 months from the approval of the financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

At the year end, Exactaform Cutting Tools Limited had achieved gross and operating profits of £4.2m (2019 - £4.4m) and £2.3m (2019 - £2.8m) respectively, while presenting a net current asset position of £3.7m (net of intercompany debtors) (2019 - £3.2m). After making enquiries and reviewing the latest profit and cashflow forecasts for at least 12 months from approval of these financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for a minimum of 12 months from the date of approval of these financial statements, meeting liabilities as they fall due.

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 as a global pandemic which has resulted in unprecedented global economic consequences. Consequently, whilst the operating profit for the year ended 31 December 2020 has fallen by 18% compared to the prior year, future forecasts show a recovery in 2021 and beyond. Furthermore, the cash position remains strong, increasing by 44% for the year ended 31 December 2020 when compared to the prior year.

The directors have used the pandemic as an opportunity to streamline the business and invest for the future to ensure the Company is well placed to deliver its forecasted growth plans. They have therefore concluded that the impact of COVID-19 does not create a material uncertainty in relation to going concern.

For the reasons set out above, the directors have prepared the financial statements on a going concern basis and have concluded that there are no material uncertainties related to going concern.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	over the lease term
Plant and equipment	10% on cost
Fixtures and fittings	10% on cost
Computers	33% on cost
Motor vehicles	20% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantially enacted, at 31 December 2020. From 17 March 2020 the substantively enacted UK corporation tax rate was 19% as announced by the Government in the Spring Budget 2020. However, the UK corporation tax rate will increase to 25% with effect from 1 April 2023 per Finance Bill 2021. This increased tax rate will substantively enacted on 24 May 2021. As a result, for the year ended 31 December 2020, the substantively enacted rate of 19% has been utilised to calculate the closing deferred taxation balances.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Government grants relating to the Coronavirus Job Retention Scheme are also recognised in other operating income when it is reasonable that the grant conditions will be met and the grants will be received.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Engineering	8,268,259	9,142,262
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Interest income	3,907	2,435
Grants received - Coronavirus job retention scheme	186,008	-
Grants received - Other	66,276	59,513
	<u> </u>	<u> </u>

EXACTAFORM CUTTING TOOLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020**

3	Turnover and other revenue	(Continued)	
		2020	2019
		£	£
	Turnover analysed by geographical market		
	UK	3,135,203	3,587,555
	Europe	959,595	954,027
	Rest of the world	1,657,867	2,230,887
	USA	2,515,594	2,369,793
		<u>8,268,259</u>	<u>9,142,262</u>

4	Operating profit	2020	2019
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	146,618	146,644
	Government grants	(252,284)	(59,513)
	Fees payable to the company's auditor for the audit of the company's financial statements	15,000	14,000
	Depreciation of owned tangible fixed assets	623,208	578,007
	Profit on disposal of tangible fixed assets	(9,447)	(17,209)
	Operating lease charges	179,717	225,463
		<u>179,717</u>	<u>225,463</u>

In the prior year comparators, the operating lease charges includes rates of £73,596 and excludes motor leasing of £14,154.

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2020	2019
Number	Number
68	73
<u>68</u>	<u>73</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	2,038,037	2,134,691
Social security costs	192,545	209,961
Pension costs	382,218	139,538
	<u>2,612,800</u>	<u>2,484,190</u>

EXACTAFORM CUTTING TOOLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****6 Directors' remuneration**

	2020	2019
	£	£
Remuneration for qualifying services	122,076	121,769
Company pension contributions to defined contribution schemes	20,854	13,030
	<u>142,930</u>	<u>134,799</u>

In the prior year comparators, employers national insurance is included of £8,611. This is not included within the 2020 figures.

7 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	3,793	2,435
Other interest income	114	-
	<u>3,907</u>	<u>2,435</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on finance leases and hire purchase contracts	-	349
Other interest	-	3,209
	<u>-</u>	<u>3,558</u>

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	406,151	119,393
	<u>406,151</u>	<u>119,393</u>
Deferred tax		
Origination and reversal of timing differences	25,005	123,911
	<u>25,005</u>	<u>123,911</u>
Total tax charge	<u>431,156</u>	<u>243,304</u>

EXACTAFORM CUTTING TOOLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****9 Taxation****(Continued)**

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	<u>2,284,944</u>	<u>2,777,079</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	434,139	527,645
Tax effect of expenses that are not deductible in determining taxable profit	130	450
Group relief	(3,113)	(3,287)
Permanent capital allowances in excess of depreciation	-	(4,655)
Research and development tax credit	-	(276,849)
Taxation charge for the year	<u>431,156</u>	<u>243,304</u>

Research and development tax credits for the year ended 31 December 2020 have not been calculated yet and therefore have not been included in this years accounts.

10 Dividends

	2020	2019
	£	£
Interim paid	<u>1,464,282</u>	<u>1,862,190</u>

11 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 January 2020 and 31 December 2020	<u>168,000</u>
Amortisation and impairment	
At 1 January 2020 and 31 December 2020	<u>168,000</u>
Carrying amount	
At 31 December 2020	<u>-</u>
At 31 December 2019	<u>-</u>

EXACTAFORM CUTTING TOOLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****12 Tangible fixed assets**

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost						
At 1 January 2020	70,206	7,209,690	76,604	49,206	201,550	7,607,256
Additions	-	432,946	1,750	13,851	111,690	560,237
Disposals	-	-	-	-	(99,680)	(99,680)
At 31 December 2020	70,206	7,642,636	78,354	63,057	213,560	8,067,813
Depreciation and impairment						
At 1 January 2020	70,206	4,440,613	24,443	28,055	106,870	4,670,187
Depreciation charged in the year	-	562,259	7,453	14,573	38,923	623,208
Eliminated in respect of disposals	-	-	-	-	(63,127)	(63,127)
At 31 December 2020	70,206	5,002,872	31,896	42,628	82,666	5,230,268
Carrying amount						
At 31 December 2020	-	2,639,764	46,458	20,429	130,894	2,837,545
At 31 December 2019	-	2,769,077	52,161	21,151	94,680	2,937,069

13 Stocks

	2020 £	2019 £
Raw materials and consumables	446,688	466,041
Work in progress	71,226	142,575
Finished goods and goods for resale	386,936	444,519
	904,850	1,053,135

Stock is stated after provisions for impairment of £13,441 (2019: £nil).

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	921,975	777,087
Corporation tax recoverable	30,180	-
Amounts owed by group undertakings	4,668,012	4,659,995
Other debtors	40,136	124,104
Prepayments and accrued income	105,858	116,417
	<u>5,766,161</u>	<u>5,677,603</u>

Trade debtors are stated after provisions for impairment of £9,257 (2019: £1,655).

Amounts owed by group undertakings are unsecured, repayable on demand and interest free.

15 Cash and cash equivalents

At the balance sheet date the cash and cash equivalents balance is £2,686,036 (2019: £1,868,950).

16 Creditors: amounts falling due within one year

	2020	2019
Notes	£	£
Trade creditors	357,425	464,805
Corporation tax	308,182	69,934
Other taxation and social security	67,468	67,504
Government grants	19 54,741	61,596
Other creditors	13,760	3,338
Accruals and deferred income	183,162	61,611
	<u>984,738</u>	<u>728,788</u>

The bank loans and overdrafts are secured against assets of the group and company,

17 Creditors: amounts falling due after more than one year

	2020	2019
Notes	£	£
Government grants	19 139,582	152,208
	<u>139,582</u>	<u>152,208</u>

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	376,184	351,179
	<u> </u>	<u> </u>
Movements in the year:		2020 £
Liability at 1 January 2020		351,179
Charge to profit or loss		25,005
		<u> </u>
Liability at 31 December 2020		376,184
		<u> </u>

The deferred tax liability set out above is expected to reverse over the useful life of the asset and relates to accelerated capital allowances that are expected to mature within the same period.

19 Deferred grants

	2020 £	2019 £
Arising from government grants	194,323	213,804
	<u> </u>	<u> </u>
Deferred income is included in the financial statements as follows:		
Current liabilities	54,741	61,596
Non-current liabilities	139,582	152,208
	<u> </u>	<u> </u>
	194,323	213,804
	<u> </u>	<u> </u>

20 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	382,218	139,538
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

EXACTAFORM CUTTING TOOLS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****21 Share capital**

	2020	2019
	£	£
Ordinary share capital issued and fully paid		
177 Ordinary of £1 each	177	177
22 Ordinary A of £1 each	22	22
22 Ordinary B of £1 each	22	22
1 Ordinary C of £1 each	1	1
	<u>222</u>	<u>222</u>

22 Operating lease commitments**Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	27,188	13,839
Between two and five years	33,999	24,770
	<u>61,187</u>	<u>38,609</u>

23 Related party transactions**Transactions with related parties**

The company has taken advantage of the exemption in FRS102 33.1A not to disclose transactions with other members of the group controlled by IRW Limited.

24 Directors' transactions

Dividends totalling £0 (2019 - £0) were paid in the year in respect of shares held by the company's directors.

Description	% Rate	Opening balance £	Amounts advanced £	Closing balance £
Directors Loan 1	-	(3,158)	31,803	28,645
Directors Loan 2	-	286	-	286
Directors Loan 3	-	2,432	2,441	4,873
		<u>(440)</u>	<u>34,244</u>	<u>33,804</u>

EXACTAFORM CUTTING TOOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Ultimate controlling party

The Company's parent undertaking is IRW Limited. IRW Limited shares the same registered office as Exactaform Cutting Tools Limited.