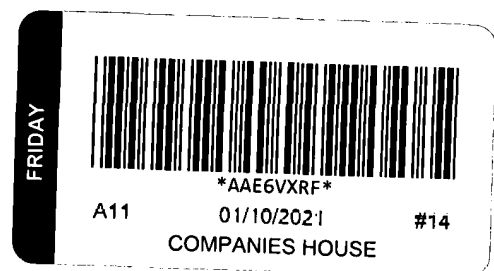


Company Registration No. 04118871 (England and Wales)

**WEARTECH INTERNATIONAL LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**



# WEARTECH INTERNATIONAL LIMITED

## COMPANY INFORMATION

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<b>Director</b>	Mr D McMillin
<b>Company number</b>	04118871
<b>Registered office</b>	The Walbrook Building 25 Walbrook London United Kingdom EC4N 8AF
<b>Auditor</b>	Mazars LLP 90 Victoria Street Bristol

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# WEARTECH INTERNATIONAL LIMITED

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# WEARTECH INTERNATIONAL LIMITED

## STRATEGIC REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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The director presents the strategic report for the year ended 31 December 2020.

### **Principal Activity**

The principal activity of the company in the period under review was that of the manufacture and supply of a range of cobalt and nickel based wear-resistant alloy consumables and components supplied to a wide range of industries. Weartech International has been a subsidiary of Lincoln Electric Holdings, Inc. (Nasdaq: LECO) since March 2012. Lincoln Electric is a leading global manufacturer of welding products, arc welding equipment, welding consumables, plasma and oxy-fuel cutting equipment and robotic welding systems with a worldwide network of distributors and sales offices covering more than 160 countries.

### **Review of Business**

Company turnover for the year was £12,050,267 (2019: £15,054,515) with a gross profit margin for the year of 18% (2019: 13%). The resultant profit before taxation for the year was £766,520 (2019: £459,816).

Net assets increased by £599,584 (2019: £390,648) during the year to £7,908,248 (2019: £7,308,664).

### **Strategy and Future Outlook**

The company is focusing significant resources in developing a culture of operational excellence.

# WEARTECH INTERNATIONAL LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### Principal Risks and Uncertainties

The main areas of risk to which the company is exposed are as follows:

#### Foreign exchange exposure

The company is exposed to currency exchange rate risk due to a significant proportion of its receivables being denominated in Euros. This exposure is monitored and managed by the use of the foreign exchange contracts.

#### Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. As part of the Lincoln Electric Group the company has credit facilities available in the event that it could not cover all of its financial obligations.

#### Customer credit exposure

The company offers credit terms to its customers which allow payment of the debt after delivery of goods. The company is at risk if a customer is unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.

#### The cost of raw materials

The volatility of metal prices represents the most significant risk to which the company is exposed. The company purchases from a wide range of qualified sources, mitigating price movement risk via the use of a combination of formula pricing and, where appropriate, long term fixed pricing.

#### Britain leaving the European Union

We undertook an analysis of the risks and operational challenges to our business arising as a result of Brexit. Although there was the potential for new tariffs and duties on both imports and exports, there were minimal changes following Brexit. Logistical delays were seen when exporting goods to the EU in Q1-21 and these had a detrimental impact on the January and February 2021 turnover but, the situation has since improved significantly with no further implications seen. The outlook for the remainder of 2021 remains positive.

#### COVID 19

The COVID-19 pandemic developed rapidly in 2020 and continued into 2021, with a significant number of cases. Measures taken by governments worldwide to contain the virus affected economic activity and the business in a number of ways:

- The Company scaled down operations from March 2020, making use of the UK Government's Coronavirus Job Retention Scheme (CJRS).
- Where possible, remote working was encouraged.
- Implementation of additional Health & Safety measures to protect the health of all employees continuing to work on site.
- The contraction in economic activity resulted in a significant reduction in sales and production levels during mid-2020.

As a result of this, and lower market prices, the Company's cumulative revenue in the first 8 months of 2020 was approximately 40% lower than in the same period of 2019, with the most significant reduction identified in the 4 months from April to July 2020. The Company's operating results were negatively impacted for the seven months to September 2020, returning to profitability in the final quarter of 2020. The recent closure of the Weartech International Inc., USA business has resulted in the transfer to Weartech International Ltd. of significant sales volume business from the Americas and Japan.

#### Key Performance Indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

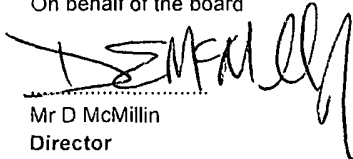
**WEARTECH INTERNATIONAL LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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On behalf of the board



Mr D McMillin  
Director

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# WEARTECH INTERNATIONAL LIMITED

## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The director presents his annual report and financial statements for the year ended 31 December 2020.

#### **Principal activities, strategy and future developments**

The principal activity of the company, the strategy and future development of the business have been set out in the Strategic Report.

#### **Going concern**

The company has considerable financial resources together with long-term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the director believes that the company is well placed to manage its business risks successfully. Despite the uncertainties of COVID-19 per the strategic report, the directors are satisfied that the company is a going concern.

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Director**

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

Mr G Blankenship  
Mr D McMillin

(Resigned 31 May 2020)

#### **Results and dividends**

The results for the year are set out on page 10.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

#### **Statement of director's responsibilities**

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS102, 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 director is 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. He is 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.

**WEARTECH INTERNATIONAL LIMITED**

**DIRECTOR'S REPORT (CONTINUED)**

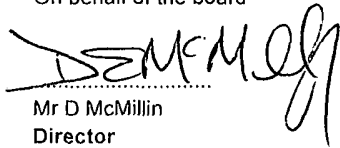
***FOR THE YEAR ENDED 31 DECEMBER 2020***

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**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 director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

  
.....  
Mr D McMillin  
Director  
.....

# WEARTECH INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBER OF WEARTECH INTERNATIONAL LIMITED

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#### Opinion

We have audited the financial statements of Weartech International Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 director's 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 director 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 director is 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.

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 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 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 this regard.

# WEARTECH INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBER OF WEARTECH INTERNATIONAL LIMITED

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#### 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 4, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

# WEARTECH INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBER OF WEARTECH INTERNATIONAL LIMITED

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#### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the director's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the director and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the director and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

## **WEARTECH INTERNATIONAL LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF WEARTECH INTERNATIONAL LIMITED**

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##### **Use of the audit report**

This report is made solely to the company's member 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 member those matters we are required to state to him 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 member for our audit work, for this report, or for the opinions we have formed.



**Jonathan Marchant (Senior Statutory Auditor)**  
**for and on behalf of Mazars LLP**  
**Chartered Accountants and Statutory Auditor**  
**90 Victoria Street, Bristol, BS1 6DP**

Date: Sep 29, 2021

# WEARTECH INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	12,050,267	15,054,515
Cost of sales		(9,918,680)	(13,134,550)
<b>Gross profit</b>		<b>2,131,587</b>	<b>1,919,965</b>
Administrative expenses		(1,653,241)	(1,644,436)
Other operating income		414,264	3,839
<b>Operating profit</b>	4	<b>892,610</b>	<b>279,368</b>
Interest receivable and similar income	6	5,866	417
Interest payable and similar expenses	7	-	(25,163)
Net (loss)/gain on financial instruments at fair value through profit and loss		(131,956)	205,194
<b>Profit before taxation</b>		<b>766,520</b>	<b>459,816</b>
Taxation	8	(166,936)	(69,168)
<b>Profit for the financial year</b>	17	<b>599,584</b>	<b>390,648</b>

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

The notes on pages 14 to 25 form part of these financial statements.

**WEARTECH INTERNATIONAL LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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	2020 £	2019 £
Profit for the year	599,584	390,648
Other comprehensive income	-	-
Total comprehensive income for the year	<u>599,584</u>	<u>390,648</u>

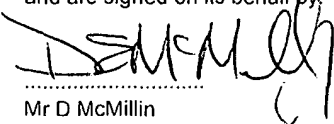
# WEARTECH INTERNATIONAL LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		3,042,222		3,240,844
<b>Current assets</b>					
Stocks	10	2,360,960		1,889,807	
Debtors	11	3,708,993		2,954,305	
Cash at bank and in hand		654,244		70,675	
		<u>6,724,197</u>		<u>4,914,787</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,707,410)</u>		<u>(689,365)</u>	
<b>Net current assets</b>			<u>5,016,787</u>		<u>4,225,422</u>
<b>Total assets less current liabilities</b>			<u>8,059,009</u>		<u>7,466,266</u>
<b>Provisions for liabilities</b>					
Deferred tax liability	13	<u>138,641</u>	<u>(138,641)</u>	<u>141,643</u>	<u>(141,643)</u>
Deferred grants	14		<u>(12,120)</u>		<u>(15,959)</u>
<b>Net assets</b>			<u><u>7,908,248</u></u>		<u><u>7,308,664</u></u>
<b>Capital and reserves</b>					
Called up share capital	16		100,000		100,000
Profit and loss reserves	17		7,808,248		7,208,664
<b>Total equity</b>			<u><u>7,908,248</u></u>		<u><u>7,308,664</u></u>

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

  
.....  
Mr D McMillin  
Director

Company Registration No. 04118871

# WEARTECH INTERNATIONAL LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2019	100,000	6,818,016	6,918,016
Year ended 31 December 2019: Profit and total comprehensive income for the year	-	390,648	390,648
Balance at 31 December 2019	100,000	7,208,664	7,308,664
Year ended 31 December 2020: Profit and total comprehensive income for the year	-	599,584	599,584
Balance at 31 December 2020	100,000	7,808,248	7,908,248

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# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

##### Company information

Weartech International Limited, with company registration number 04118871, is a private company limited by shares incorporated in England and Wales. The registered office is The Walbrook Building, 25 Walbrook, London, United Kingdom, EC4N 8AF.

#### 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. 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' – Carrying amounts, 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 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Lincoln Electric Holdings, Inc. These consolidated financial statements are available from its registered office, 22801 Saint Clair Ave, Cleveland, OH 44117, USA.

The company has also taken advantage of the disclosure exemption as permitted by FRS102 not to disclose related party transactions with wholly owned subsidiaries within the group.

#### 1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements. Further financial support and liquidity, if required, are readily available supported by the ultimate parent company through the use of our GBP and EUR cash pooling agreements with other Lincoln entities. Thus, the director continues to adopt the going concern basis of accounting in preparing the financial statements.

#### 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.

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

Revenue 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 revenue 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.

#### 1.4 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:

Freehold property	3% to 20% on cost
Plant and machinery	5% to 20% on cost
Fixtures, fittings & equipment	10% to 20% on cost
Computer equipment	10% to 33% 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.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies

(Continued)

#### 1.6 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 replacement cost and cost, adjusted where applicable for any loss of service potential.

Stocks on consignment and their related obligations are recognised in current assets and creditors respectively.

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.

#### 1.7 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.

#### 1.8 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 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 for any asset whose fair values cannot be measured reliably which are measured at cost less impairment.

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

---

#### 1 Accounting policies

(Continued)

##### ***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.

##### ***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 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.

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.

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### *Derecognition of financial liabilities*

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

#### 1.9 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.

#### 1.10 Taxation

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

##### *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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.11 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.

#### 1.12 Retirement benefits

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

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### 1.13 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.

#### 1.14 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.

#### 1.15 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 director is 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.

No areas of significant judgments or estimates have been identified concerning the depreciation of fixed assets and the consideration of their useful lives. When determining the rate of depreciation to be applied, assets are considered on an individual basis. The depreciation of new assets is based on the condition and depreciation rates applied to existing assets to ensure consistency.

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
<b>Turnover analysed by class of business</b>		
Attributable to principal activity of the company	12,050,267	15,054,515

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue		(Continued)	
	2020	2019	
	£	£	
Other significant revenue			
Interest income	5,866	417	
Grants received	413,474	3,839	
	<u>419,340</u>	<u>4,256</u>	
	2020	2019	
	£	£	
Turnover analysed by geographical market			
United Kingdom	683,343	743,775	
Outside of United Kingdom	11,366,924	14,310,740	
	<u>12,050,267</u>	<u>15,054,515</u>	
4 Operating profit			
	2020	2019	
	£	£	
Operating profit for the year is stated after charging/(crediting):			
Exchange gains	(73,747)	(122,564)	
Government grants	(413,474)	(3,839)	
Fees payable to the company's auditor for the audit of the company's financial statements	12,150	11,900	
Depreciation of owned tangible fixed assets	274,731	339,842	
Loss on disposal of tangible fixed assets	-	20,596	
Cost of stocks recognised as an expense	5,825,129	8,366,837	
Operating lease charges	27,854	20,681	
	<u>5,825,129</u>	<u>8,366,837</u>	
5 Employees			
The average monthly number of persons (including directors) employed by the company during the year was:			
	2020	2019	
	Number	Number	
Administration	35	36	
Production	69	81	
Directors	1	2	
	<u>105</u>	<u>119</u>	

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees		(Continued)	
Their aggregate remuneration comprised:			
	2020	2019	
	£	£	
Wages and salaries	3,403,310	3,513,169	
Social security costs	321,129	348,457	
Pension costs	88,479	96,366	
	<u>3,812,918</u>	<u>3,957,992</u>	
The directors receive their salaries from another group company.			
6 Interest receivable and similar income		2020	2019
		£	£
Interest income			
Interest on bank deposits	5,866	417	
	<u>5,866</u>	<u>417</u>	
7 Interest payable and similar expenses		2020	2019
		£	£
Interest on bank overdrafts and loans	-	19,436	
Other interest	-	5,727	
	<u>-</u>	<u>25,163</u>	
8 Taxation		2020	2019
		£	£
Current tax			
UK corporation tax on profits for the current period	169,938	60,023	
Adjustments in respect of prior periods	-	(7,950)	
Total current tax	<u>169,938</u>	<u>52,073</u>	
Deferred tax			
Origination and reversal of timing differences	(3,002)	17,095	
	<u>(3,002)</u>	<u>17,095</u>	
Total tax charge	<u>166,936</u>	<u>69,168</u>	

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 8 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	766,520	459,816
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	145,639	87,365
Tax effect of expenses that are not deductible in determining taxable profit	3,644	3,391
Tax effect of income not taxable in determining taxable profit	(729)	-
Permanent capital allowances in deficit/(excess) of depreciation	21,384	(30,733)
Under/(over) provided in prior years	-	(7,950)
Movement in provision for deferred tax	(3,002)	17,095
Taxation charge for the year	166,936	69,168

#### 9 Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Total £
<b>Cost</b>					
At 1 January 2020	2,415,044	2,908,069	199,319	135,270	5,657,702
Additions	11,461	64,648	-	-	76,109
At 31 December 2020	2,426,505	2,972,717	199,319	135,270	5,733,811
<b>Depreciation and impairment</b>					
At 1 January 2020	811,860	1,403,235	77,480	124,283	2,416,858
Depreciation charged in the year	89,516	163,953	10,275	10,987	274,731
At 31 December 2020	901,376	1,567,188	87,755	135,270	2,691,589
<b>Carrying amount</b>					
At 31 December 2020	1,525,129	1,405,529	111,564	-	3,042,222
At 31 December 2019	1,603,184	1,504,834	121,839	10,987	3,240,844

# WEARTECH INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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10 Stocks	2020	2019
	£	£
Raw materials and consumables	180,653	212,233
Work in progress	1,400,796	1,000,125
Finished goods and goods for resale	779,511	677,449
	<u>2,360,960</u>	<u>1,889,807</u>

11 Debtors	2020	2019
Amounts falling due within one year:	£	£
Trade debtors	2,392,134	1,944,957
Corporation tax recoverable	-	159,977
Amounts due from group undertakings	1,080,731	600,715
Other debtors	145,856	186,870
Prepayments and accrued income	90,272	61,786
	<u>3,708,993</u>	<u>2,954,305</u>

Included within other debtors are financial assets relating to currency forward exchange contracts of £29,263 (2019: £130,576) that are measured at fair value through profit and loss.

12 Creditors: amounts falling due within one year	2020	2019
	£	£
Trade creditors	1,143,857	243,905
Amounts owed to group undertakings	25,278	-
Corporation tax	9,961	-
Other taxation and social security	88,788	84,767
Other creditors	59,099	83,264
Accruals and deferred income	380,427	277,429
	<u>1,707,410</u>	<u>689,365</u>

Included within other creditors are financial liabilities relating to currency forward exchange contracts of £16,216 (2019: £149) that are measured at fair value through profit and loss.

## WEARTECH INTERNATIONAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 13 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £
<b>Balances:</b>		
Origination and reversal of timing differences	138,641	141,643
		2020 £
<b>Movements in the year:</b>		
Liability at 1 January 2020		141,643
Credit to profit or loss		(3,002)
Liability at 31 December 2020		138,641

#### 14 Government grants

	2020 £	2019 £
Arising from government grants	12,120	15,959
	12,120	15,959

#### 15 Retirement benefit schemes

	2020 £	2019 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	88,479	96,366

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. The outstanding liability at the end of the year amounted to £29,466 (2019: £NIL).

#### 16 Share capital

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

## WEARTECH INTERNATIONAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 17 Profit and loss reserves

	2020	2019
	£	£
At the beginning of the year	7,208,664	6,818,016
Profit for the year	599,584	390,648
At the end of the year	<u>7,808,248</u>	<u>7,208,664</u>

Profit and loss reserves are distributable reserves made up of retained earnings.

#### 18 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	25,412	30,534
Between two and five years	46,738	32,067
	<u>72,150</u>	<u>62,601</u>

#### 19 Ultimate controlling party

The directors consider Cleveland - Lincoln Electric Holdings, Inc, which is a company registered in the United States of America, to be the ultimate parent company and controlling party by virtue of its 100% holding of the issued share capital of Weartech International Inc. its immediate 100% parent company. The largest and smallest group in which the results of the company are consolidated is that headed by Lincoln Electric Holdings, Inc. Copies of the consolidated financial statements of Lincoln Electric Holdings, Inc. may be obtained from 22801 Saint Clair Ave, Cleveland, OH 44117, USA.