

Company Registration No. 09432123 (England and Wales)

OPTIMAS OE SOLUTIONS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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OPTIMAS OE SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	H J McGrath – Appointed on 1 May 2020 P T Ballard – Resigned on 30 April 2020 M J Tuffy R W Goldman
Company number	09432123
Registered office	Waterwells Drive Quedgeley Gloucester GL2 2FR
Auditor	RSM UK Audit LLP Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD

OPTIMAS OE SOLUTIONS LIMITED STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report and financial statements for the year ended 31 December 2020. These accounts cover the 52 week period to 1 January 2021 with the comparatives relating to the 53 week period to 3 January 2020.

Principal Activities

Products and Services

Optimas OE Solutions Limited is a provider of integrated supply chain solutions and engineering support, focused on delivering highly engineered fasteners and C Class components to world-class customers.

Custom engineered fasteners are designed by an engineer using customer defined performance parameters and specified materials. These components are designed for a specific application and are often engineered to withstand harsh operating environments that include extreme temperatures, exposure to the elements and high torque. Cost of failure for customers can be extremely high and, as a result, custom engineered fasteners cannot generally be replaced by commodity components.

C Class components are industry standard production components used across all industries. Examples of C Class components are: fittings, clamps, bearings, and rivets, that we supply to our customer base of large, industrial customers as well as small- and medium-sized companies.

Our product portfolio includes nuts, bolts, screws, washers, clips, gaskets, brackets and rivets as well as other fasteners and small components required by manufacturers. In addition, we provide a significant amount of value-added services to our customers including global sourcing, inventory management, product verification and testing, delivery and logistics services.

As a provider of outsourced supply chain management solutions our services are critical to the success of our customers' operations.

Key End Markets

Fasteners are key components used in industrial assembly and are widespread across nearly every industrial sector. Our customers are primarily large, industrial companies as well as small and medium size businesses. Our customers' key end markets include: luxury automotive, general industrial, commercial vehicles, power generation and agricultural equipment. Our business provides a comprehensive supply chain solution that manages the sourcing, engineering, testing, delivery and logistics of these key components for our customers. Our comprehensive services allow our customers to focus on their core business of manufacturing as opposed to *dealing with the challenges of global sourcing and the management of a complex supply chain*. In addition, we organize, package, and supply individual but related parts and components together as one unit, which saves our customers time and creates efficiencies during the manufacturing and assembly processes. Furthermore, we test many facets of our components to ensure they meet strict quality requirements.

Significant Customer Exit

In July 2020, the Company mutually agreed to end its business relationship with Jaguar Land Rover (JLR). This decision was taken to ensure that the underlying business is profitable, successful and focused on serving all customers.

OPTIMAS OE SOLUTIONS LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Business Review and KPI's

Turnover

For the year ended 31 December 2020 the Company reported turnover of £100,157k, which is a decrease of 38.4% compared to the prior year.

Average billings per day decreased from £653k in 2019 to £401k in 2020, which is a decrease of 38.6%.

For the year ended 31 December 2020 our top ten customers represented 78.0% of our net sales (78.8% of sales for the year ended December 31, 2019).

Gross Margin

Gross margin increased from 18.5% in 2019 to 20.0% in 2020, which is an increase of 1.5%.

Cost to serve

Cost to serve (defined as administration costs expressed as a percentage of Turnover) increased by 1150bp to 25.6% of turnover (compared to 14.1% in the prior year)

Overall employee costs as a percentage of turnover increased 610 basis points from 11.8% to 17.8%. Over the same period turnover per FTE decreased from £334k to £256k

Amortization and depreciation as a percentage of turnover increased from 0.9% to 1.4%, net management fees (net payments to/from other Group companies) decreased from an income of 3.0% to an income of 1.0% of turnover.

In 2020 there was a net loss on foreign exchange of £3,718k (compared to a loss of £852k in the prior year).

Cost to serve stripping out depreciation, amortization, net management fees and foreign exchange increased from 15.6% of turnover in 2019 to 21.4% of turnover in 2020.

Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA)

EBITDA before impairment for the year ended 31 December 2020 was a loss of £5,160k compared to a profit of £5,470k for the year ended 31 December 2019.

After adjusting for restructuring costs, losses on sale of investments, net management fees and foreign exchange losses, Adjusted EBITDA for the year ended 31 December 2020 was a profit of £1,015k (1.0% of turnover) compared to a profit of £4,668k for the year ended 31 December 2019 (2.9% of turnover).

Exceptional costs of £3,412k have been recognised in the year ended 31 December 2020, relating to restructuring costs and losses on sale of investments.

OPTIMAS OE SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Balance Sheet

Trade Debtors have decreased, the balance as at 31 December 2020 was £19,499k compared to £24,189k as at 31 December 2019, a decrease of 19.4% as a result of increased focus on cash and the transition away from JLR.

Trade Creditors have decreased by 15.1%, this reflects improvements in the processing of vendor payments and a significant increase in the level of invoices now paid to terms and the transition away from JLR.

The level of stock held has decreased by 43.4%, reflecting efficiencies in operations and procurement without adversely impacting customer satisfaction levels and the transition away from JLR.

Principal Risks and Uncertainties

Our operating results depend upon many factors and are subject to various risks and uncertainties. Although we have tried to discuss key factors, be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial performance. The material risks and uncertainties known to us which may cause the operating results to vary from anticipated results or which may negatively affect our operating results and profitability include, but are not limited to, the following

Our global supply chain subjects us to risks that may increase our costs:

For the year ended 31 December 2020 we derived 52.9% of our purchases from outside of the United Kingdom. Accordingly, we face numerous risks associated with conducting international operations, any of which could negatively affect our financial performance. These risks include the following:

- exchange rate risk, as we may be purchasing in a currency different from the currency that we bill the customer in;
- increased costs for transportation and shipping;
- local, economic, political, and social conditions, including potential hyperinflation conditions and political instability in certain countries;
- domestic and foreign customs, tariffs and quotas or other trade barriers;
- import or export licensing requirements;
- unexpected changes in laws or licensing and regulatory requirements, including negative consequences from changes in tax laws; and
- possible liabilities under applicable anti-corruption laws, export controls and economic sanctions.

A change in sales strategy or financial viability of our suppliers could adversely affect our sales or earnings:

Most of our agreements with suppliers are terminable to either party on short notice for any reason. We currently source products from over 1000 suppliers. However, 37.1% of our annual purchases are sourced from our ten largest suppliers. If any of these suppliers changes its sales strategy to reduce its reliance on distribution channels, or decides to terminate its business relationship with us, our sales and earnings could be adversely affected until we are able to establish relationships with suppliers of comparable products. Although we believe our relationships with these key suppliers are good, they could change their strategies as a result of a change in control, expansion of their direct sales force, changes in the marketplace or other factors beyond our control, including a key supplier becoming financially distressed.

**OPTIMAS OE SOLUTIONS LIMITED
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2020

Our ability to pass changes in our input costs to our customers could impact our profitability:

Costs of raw materials used in our products (for example, steel) and energy costs have fluctuated during the last several years. Increases in these costs result in increased production costs for our suppliers. These suppliers typically look to pass their increased costs along to us through price increases. The fuel costs related to the distribution of our products have fluctuated as well. While we typically try to pass increased supplier prices and fuel costs through to our customers or to modify our activities to mitigate the impact, we may not be successful in doing so, particularly if supplier prices or fuel costs rise rapidly. Failure to fully pass any such increased prices and costs through to our customers or to modify our activities to mitigate the impact would have an adverse effect on our operating income. While increases in the cost of raw materials could be damaging to us, decreases in those costs, particularly if severe, could also adversely impact us by creating deflation in selling prices, which could cause our gross profit margin to deteriorate.

The loss of, or substantial decline in, sales in any of our key customers could adversely affect our financial performance:

We sell to a sophisticated customer base of large customers that have significant leverage over their suppliers. Generally, our customers are not required to purchase any minimum amount of products from us. The contracts into which we have entered with most of our customers typically provide that we supply particular products or services for a certain period of time when and if ordered by the customer. The lack of firm commitments could facilitate the customers' ability to change volume among suppliers. As our customers continue to become larger, they may seek to use their position to improve their profitability by various means, including lower pricing. Also, consolidation among customers could result in a loss of some of our present customers to competitors. The loss of one or more of our key customers, a significant customer's decision to purchase our products in significantly lower quantities than they have in the past, or deterioration in our relationship with any of our significant customers, could significantly affect our financial condition, operating results and cash flows. Additionally, the loss of market share or financial difficulties, including bankruptcy and financial restructuring, by any of our key customers could have a material adverse effect on our liquidity, financial position and results of operations.

Policy changes affecting international trade could adversely impact the demand for our products and our competitive position:

Changes in government policies on foreign trade and investment could affect the demand for our products and services. Our business benefits from free trade agreements, and efforts to withdraw from, or substantially modify such agreements, in addition to the implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs, import or export licensing requirements, exchange controls or new barriers to entry, could have a material adverse effect on our liquidity, financial position and results of operations.

The result of the United Kingdom's referendum on EU membership has caused and may continue to cause significant uncertainty. Although it is unknown what the terms of the United Kingdom's future relationship with the EU will be, it is possible that there will be greater restrictions on imports and exports between the United Kingdom and EU and increased regulatory complexities. Any of these factors could adversely impact customer demand, our relationships with customers and suppliers and our liquidity, financial position and results of operations.

OPTIMAS OE SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

No significant uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors. The company has also received formal confirmation of ongoing support from its parent company, which the directors are satisfied can be relied upon to allow the company to meet its liabilities as they fall due for the next twelve months.

The financial statements have therefore been prepared on a going concern basis.

The COVID-19 pandemic has developed rapidly in 2020, with measures taken by various governments to contain the virus impacting economic activity including manufacturing output and consumer demand. The Directors have and will continue to use all methods to minimise and offset the impact of the pandemic on the Company. At this stage, the impact on profitability for our business and results has not been significant and the Directors are confident that the steps taken to mitigate associated risk combined with future plans for the Company will ensure that it is well positioned to continue to trade in this uncertain economic environment. They have therefore concluded that there is no material uncertainty about the ability of the company to continue as a going concern and that it remains appropriate to prepare the financial statements on a going concern basis.

Section 172 Statement

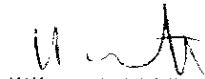
Optimas OE Solutions Limited is a provider of integrated supply chain solutions and engineering support, focused on delivering highly engineered fasteners and C Class components to world-class customers.

The company seeks to put the quality and integrity of its products first to satisfy the needs of its customers, invest in its employees, and support the communities where it operates, whilst it strives to make a sustainable profit for its shareholders. The key relationships with suppliers, customers, and other external stakeholders are overseen by the directors to ensure that all relationships are maintained in the most appropriate manner to promote the interests of the company and its stakeholders. The communication with staff is maintained through regular dialogue between the directors and the staff at both a national and local level. The board issues periodic email communications keeping staff aware of the progress within the company. This extends to updates on financial progress and also community activities that staff and the company engage in. The Board encourages openness amongst employees, actively invites direct employee feedback and takes pride in genuinely seeking to invest in its people through development and training.

The directors have acted in accordance with their duties codified in law, which includes their duty to act in a way in which they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

Section 172 considerations are embedded in the decision making at board level, of company issues and when discharging the duties of the directors as covered by this report. The board has several external advisors who also review the directors' activities and decisions to provide an independent oversight of the decisions, with the ability to report directly to the shareholder.

On behalf of the board



H J McGrath

Director

5/11/2021

OPTIMAS OE SOLUTIONS 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.

Directors

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

H J McGrath – Appointed 1 May 2020

P T Ballard – Resigned 30 April 2020

M J Tuffy

R W Goldman

Results and dividends

The results for the year are set out on page 14.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2019: £Nil).

Disabled persons

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitude and abilities are consistent with adequately meeting the requirements of the job.

The company encourages and assists the employment of people with disabilities and the retention of employees who become disabled. Training is designed to ensure equal opportunity for career development and promotion for all staff.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practical in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company's policy is to consult and discuss with employees, matters likely to affect employees' interests. The company holds regular meetings with employees to inform them of the company's performance. Employees are encouraged to contribute suggestions on the development of the company and its method of operation.

Future developments

The company expects to retain and grow its market share in the UK through focusing on its valued added proposition with existing and new customers and its focus on delivering a first class service at a competitive price. The company is also exploring a number of new initiatives to drive profitable growth and to expand the range of goods and services offered to its customers.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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 auditors are aware of that information.

OPTIMAS OE SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Third party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The company does not use derivative financial instruments for speculative purposes.

Price risk

The company is exposed to the risk of movements in the market price of procured parts and components. This risk is managed through the constant review of sourcing strategies and customer pricing policies and the negotiation of appropriate commercial terms in the company's supply contracts and contracts with customers. The directors continually monitor the appropriateness and effectiveness of these procedures on an ongoing basis.

Cash flow risk

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. The company maintains separate bank accounts which are denominated in various currencies, and also bills a number of customers in currencies other than Sterling which provides a degree of natural hedge against currency fluctuations.

The nature of the business makes cash flow forecasting reasonably predictable. The company regularly reviews cash flow forecasts and actual results against budgets in order to monitor and control cash flow risk.

Credit risk

The company's principal financial assets are cash, stock, trade and other debtors. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the asset. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. In addition, credit checks may be made periodically on those customers who are deemed to be a significant credit risk to the company.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company has access to and utilises group funding facilities.

OPTIMAS OE SOLUTIONS LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy and Carbon Report 2020 (SECR)

Summary

Optimas OE Solutions Ltd's greenhouse gas emissions, reportable under SECR in 2020 were 1,236 tonnes CO₂e.

These include the emissions associated with electricity and natural gas consumption, LPG and business travel in company and private vehicles by employees. Optimas OE Solutions Ltd's chosen intensity metric is £m of revenue, the 2020 intensity figure is 7.61 tCO₂e per £m of revenue.

Greenhouse gas emissions

Figure 1 Greenhouse gas emissions by year (tonnes CO₂e)

Emissions source	2020 tCO ₂ e	Share %
Natural Gas & LPG	225	18.2%
Electricity	482	39.0%
Transportation	529	42.8%
Total emissions (tCO₂e)	1,236	100.0%
Revenue (£m)	162.5	
Intensity: (tCO₂e per £m of revenue)	7.61	

Figure 2 Greenhouse gas emissions by scope (tonnes CO₂e)

Emissions source	Scope 1	Scope 2	Scope 3	Total
Natural Gas & LPG	225	0	0	225
Electricity	0	444	38	482
Transportation	520	0	9	529
Total	745	444	47	1,236
<i>Share of Total</i>	<i>60.3%</i>	<i>35.9%</i>	<i>3.8%</i>	

Scope 1: Natural gas, LPG and company-operated transport. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission, business travel in private (Grey Fleet) vehicles. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

OPTIMAS OE SOLUTIONS LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Energy consumption

Figure 3 Energy consumption by year (kWh)

Emissions source	2020 kWh	Share %
Natural Gas	1,216,482	22.9%
Electricity	1,904,229	35.9%
Transportation	2,180,923	41.1%
Total	5,301,634	100.0%

N.B. The percentage figures above in Figure 3 total 99.9% The missing 0.1% is due to rounding.

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary¹.

This approach captures emissions associated with the operation of all buildings such as warehouses, offices and manufacturing sites, plus company-owned and leased transport. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

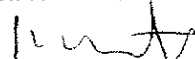
Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is January 2020 to December 2020, as per the financial accounts.

Energy efficiency initiatives

During 2020 it was understood that Optimas OE Solutions have installed PIR systems and LED lights. It was understood that these were the only energy efficiency measures which were implemented during the SECR reporting period.

On behalf of the board



H J McGrath
 Director

5/11/2021

OPTIMAS OE SOLUTIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report and the Directors' 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 the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 year. In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF OPTIMAS OE SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Optimas OE Solutions Limited (the 'company') for the year ended 31 December 2020 which comprise 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF OPTIMAS OE SOLUTIONS LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF OPTIMAS OE SOLUTIONS LIMITED (CONTINUED)

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and testing the recognition of a sample of revenue items with reference to the relevant supporting documentation

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

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.

RSM UK Audit LLP

HYWEL PEGLER (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD
Date 8/11/21

OPTIMAS OE SOLUTIONS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Turnover	Notes 3	100,157	162,537
Cost of sales		(80,096)	(132,480)
Gross profit		20,061	30,057
Administrative expenses		(25,604)	(22,940)
Other operating income		2,379	-
Operating (loss)/profit before exceptional costs		(3,164)	7,117
Exceptional costs	4	(3,412)	(3,470)
Operating (loss)/profit after exceptional costs	5	(6,576)	3,647
Interest receivable and similar income	9	751	1,344
Interest payable and similar charges	10	(924)	(3,291)
(Loss)/profit before taxation		(6,749)	1,700
Taxation	11	(153)	(713)
(Loss)/profit after taxation	24	(6,902)	987
Total comprehensive (loss)/profit for the year		(6,902)	987

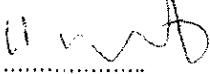
OPTIMAS OE SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets					
Goodwill	12		1,828		2,241
Other intangible assets	12		2,412		2,707
Total intangible assets			<u>4,240</u>		<u>4,948</u>
Tangible assets	13		1,499		2,302
Investments	14		24,858		39,390
			<u>30,597</u>		<u>46,640</u>
Debtors amounts falling due after one year	17		<u>17,022</u>		<u>19,338</u>
Current assets					
Stocks	16	18,119		31,994	
Debtors amounts falling due within one year	17	46,868		59,171	
Cash at bank and in hand		7,142		7,133	
		<u>72,129</u>		<u>98,298</u>	
Creditors amounts falling due within one year	18	<u>(44,443)</u>		<u>(76,899)</u>	
Net current assets			<u>27,686</u>		<u>21,399</u>
Total assets less current liabilities			<u>75,305</u>		<u>87,377</u>
Creditors amounts falling due after one year	19		-		(65,893)
Net assets			<u>75,305</u>		<u>21,484</u>
Capital and reserves					
Called up share capital	23		131,095		70,372
Profit and loss reserves	24		(55,790)		(48,888)
Total equity			<u>75,305</u>		<u>21,484</u>

The financial statements were approved by the board of directors and authorised for issue on 5/11/2021 and are signed on its behalf by:



 H J McGrath
 Director

OPTIMAS OE SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share Capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 31 December 2018		70,372	(49,875)	20,497
Year ended 31 December 2019:				
Total comprehensive profit for the year		-	987	987
Balance at 31 December 2019		<u>70,372</u>	<u>(48,888)</u>	<u>21,484</u>
Year ended 31 December 2020:				
Total comprehensive loss for the year		-	(6,902)	(6,902)
Issue of share capital	23	60,723	-	60,723
Balance at 31 December 2020		<u><u>131,095</u></u>	<u><u>(55,790)</u></u>	<u><u>75,305</u></u>

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Optimas OE Solutions Limited is a company limited by shares incorporated in England and Wales. The registered office and principal place of business is Waterwells Drive, Quedgeley, Gloucester, GL2 2FR.

The company's principal activities are disclosed in the Strategic Report.

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 whole £1,000, except where otherwise indicated.

The current year presents the results for the 52 week period to 1 January 2021 whereas the comparative represents the 53 week period to 3 January 2020.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

FRS 102 exemption

Optimas OE Solutions Limited is taking advantage of the FRS 102 reduced disclosures exemption and is not producing a cash flow statement as this will be presented in the consolidated accounts of Optimas OE Solutions Holding LLC, which is the immediate parent company and who are preparing publicly available consolidated financial statements.

Optimas OE Solutions Limited is a wholly owned subsidiary of Optimas OE Solutions Holding LLC and the results of Optimas OE Solutions Limited are included in the parent consolidated financial statements which are filed at Companies House alongside these financial statements.

Group accounts

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Optimas OE Solutions Limited is a wholly owned subsidiary of Optimas OE Solutions Holding LLC and the results of Optimas OE Solutions Limited are included in the parent consolidated financial statements which are filed at Companies House alongside these financial statements.

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. The company has also received formal confirmation of ongoing support from its parent company, which the directors are satisfied can be relied upon to allow the company to meet its liabilities as they fall due for the next twelve months. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

The COVID-19 pandemic has had a disruptive macroeconomic influence in 2020, with measures taken by various governments to contain the virus impacting economic activity including manufacturing output and consumer demand. The directors have and will continue to make use as necessary of available Government reliefs offered to offset some of the impact of COVID-19. These include the VAT Deferral Scheme and Job Retention Scheme with the positive cashflow impact of these being included in future cashflow projections. As of December 2020, the company was funded from a mixture of available cash reserves and access to financing options including its access to the group facility of \$110 million (as disclosed in note 21). At this stage, the impact on our business and results has not been significant and the Directors are confident that the steps taken to mitigate associated risk combined with future plans for the Company will ensure that it is well positioned to continue to trade in the current economic environment. They have therefore concluded that there is no material uncertainty about the ability of the company to continue as a going concern and that it remains appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover is recognized 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.

Revenue from the sales 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 transactions will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Where cash flows are received before this point, it is recognised as a deferred income liability until the recognition criteria is met.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated business, 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, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisitions date if the fair value can be measured reliably.

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

Software	3 – 5 years straight line
Customer relationships	15 years straight line

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 land and buildings	3 – 10 years straight line
Plant and equipment	3 – 10 years straight line
Fixtures and fittings	5 years straight line
Computers	3 – 5 years straight line

Fixed assets that are acquired as part of a business combination are depreciated in line with the remaining life left upon acquisition.

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.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

OPTIMAS OE SOLUTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting 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.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Net realisable value is assessed at a customer level based upon the Bill of Material rather than on an individual part basis. 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.

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.

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 its financial instruments.

Financial instruments are recognised 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.

OPTIMAS OE SOLUTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables, including amounts due from group undertakings, 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, 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 publically traded and whose fair values cannot be measure 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.

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 trade and other payables, bank loans and loans from fellow group companies, 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.

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

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognized when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

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

Taxation

The tax expense/credit represents the sum of the current tax debit/credit and deferred tax debit/credit. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit/loss for the period. Taxable profit/loss differs from local comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allowed for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

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.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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.

During the year, the company qualified for the government's Coronavirus Job Retention Scheme (CJRS) in response to the COVID-19 pandemic. The grants were recognised as other operating income over the period necessary to match with the related expense.

OPTIMAS OE SOLUTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock provision

Whilst valuing stock, management make judgements over items that are considered slow moving or obsolete, and provide for this against the total stock value, based on the date of the last movement of these stock lines.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Goodwill and amortisation

The recoverable amount of goodwill and other intangible assets is based on value in use which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate of 11.8% (2019: 13.0%) and the future earnings growth. The total value of intangible fixed assets at 31 December 2020 was £4,240k (2019: £4,948k).

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty (Continued)

Share based payments

The valuation of share based payments requires estimates in respect of the expected term of awards that do not have a contractual life and the expected volatility of the underlying assets. Details of the estimates adopted are given in Note 28 and have given rise to a charge that the directors are satisfied is not material.

Impairment of investments and long-term group debtors

These balances are assessed for indicators of impairment at each reporting end date, and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the investment, the estimated future cash flows have been affected. If a balance is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at its original effective interest rate. See note 14 for further details.

The company holds investment and long-term debtor balances in a number of legal entities across North America, Europe and Asia.

The value of future cash flows from each cash generating unit has been estimated by management based on the latest available operating performance information in each subsidiary. Assumptions have been made about future cash generation based on a combination of short-term internal forecasts, using information from recent trends and knowledge of specific business initiatives, combined with longer term economic growth forecasts.

The present value of future cash flows has been calculated by applying a discount rate to the future cash flows based on the weighted average cost of capital, and has been determined as 11.8% (2019: 13.0%).

The results of this impairment testing have been reviewed for sensitivity against any potential future changes in the key assumptions used.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue

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

	2020 £'000	2019 £'000
Turnover analysed by class of business		
Fasteners, C class components and related services	100,157	162,537
	<u>2020</u> £'000	<u>2019</u> £'000
Turnover analysed by geographical market		
United Kingdom	83,992	150,042
Rest of European Union	9,172	8,861
Rest of the World	6,993	3,634
	<u>100,157</u>	<u>162,537</u>

4 Exceptional costs

	2020 £'000	2019 £'000
Losses on sale of investments	606	-
Restructuring costs	2,806	3,156
Impairment losses on investments and long-term group debtors	-	314
	<u>3,412</u>	<u>3,470</u>

The impairment losses disclosed above have arisen as a result of the director's assessment of the carrying value of the company investments in its subsidiaries. In 2019, the value of investments was impaired as a result of Optimas OES S.L.U Spain not meeting profitability targets originally envisaged and due to a general deterioration in economic conditions within the end markets served by our customers. There is no impairment in 2020.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Operating (loss)/profit

Operating (loss)/profit for the year is stated after charging/(crediting):

	2020 £'000	2019 £'000
Exchange losses	3,718	852
Depreciation of owned tangible fixed assets	708	839
Loss on disposal of tangible fixed assets	167	95
Amortisation of intangible assets	708	670
Cost of stocks recognised as an expense	79,384	131,998
Impairment of stock	694	699
Impairment loss on debtors	-	(5)
Operating lease charges	1,873	2,242
	<u>1,873</u>	<u>2,242</u>

6 Auditors' remuneration

Fees payable to the company's auditor and its associates:

	2020 £'000	2019 £'000
For audit services		
Audit of the company's financial statements	109	97
For other services		
Taxation advisory services	14	29
	<u>14</u>	<u>29</u>

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Employees

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

	2020 Number	2019 Number
Procurement & sales	118	128
Engineering & technical services	15	41
Operations	183	231
Support functions	75	86
	<u>391</u>	<u>486</u>

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	15,953	16,759
Social security costs	1,253	1,558
Pension costs	686	783
	<u>17,892</u>	<u>19,100</u>

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	563	437
Company pension contributions to defined contribution schemes	67	71
	<u>630</u>	<u>508</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amount to 2 (2019: 2)

Director's remuneration disclosed above includes the following payments to the highest paid director:

	2020 £'000	2019 £'000
Remuneration for qualifying services	339	257
Company pension contributions to defined contribution schemes	59	51
	<u>398</u>	<u>308</u>

9 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from group undertakings	739	1,344
Interest receivable from savings	3	-
Interest receivable from taxes	9	-
	<u>751</u>	<u>1,344</u>

OPTIMAS OE SOLUTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

10 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable to group undertakings	549	2,469
Interest payable on bank overdrafts and loans	375	822
	<u>924</u>	<u>3,291</u>

11 Taxation

	2020 £'000	2019 £'000
Current Tax		
UK corporation tax on profits for the current period	-	538
Adjustments in respect of prior periods	65	(4)
Double taxation relief	-	(138)
Total current tax charge	<u>65</u>	<u>396</u>
Overseas Tax		
Overseas tax on profits for the current period	75	86
Adjustments in respect of prior periods	13	231
Total overseas tax charge	<u>88</u>	<u>317</u>
Tax on (loss) / profit	<u>153</u>	<u>713</u>

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Taxation (Continued)

The charge for the period can be reconciled to the statement of comprehensive income as follows:

	2020 £'000	2019 £'000
(Loss) / Profit before taxation	(6,749)	1,700
Expected tax (credit) / charge based on the standard rate of corporation tax in the UK at 19% (2019: 19%)	(1,282)	323
Tax effect of expenses that are not deductible in determining taxable profit	9,317	151
Fixed asset differences	(28)	(22)
Foreign tax credits	75	(52)
Deferred tax not recognized	(8,007)	86
Adjustment in respect of prior periods	78	227
Tax charge for the period	153	713

Factors that may affect future tax changes

The main rate of corporation tax will remain at 19%.

The company has tax losses of £1,108k, fixed asset timing differences of £183k (2019: £111k) and short-term timing differences of £1,380k (2019: £111k), which have not been recognised due to uncertainty over future taxable profits.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Intangible fixed assets

	Goodwill	Software	Customer relationships	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	4,138	103	3,835	8,076
Additions	-	-	-	-
At 31 December 2020	<u>4,138</u>	<u>103</u>	<u>3,835</u>	<u>8,076</u>
Amortisation and impairment				
At 1 January 2020	1,897	95	1,136	3,128
Amortisation charged for the year	413	3	292	708
At 31 December 2020	<u>2,310</u>	<u>98</u>	<u>1,428</u>	<u>3,836</u>
Carrying amount				
At 31 December 2020	<u>1,828</u>	<u>5</u>	<u>2,407</u>	<u>4,240</u>
At 31 December 2019	<u>2,241</u>	<u>8</u>	<u>2,699</u>	<u>4,948</u>

The goodwill and customer relationships arose on the acquisition of trade and assets from Anixter Limited and Optimas OE Solutions GmbH. The amortisation of all intangible assets is included within administrative expenses in the statement of comprehensive income.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

	Short leasehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Computers £'000	Total £'000
Cost					
At 1 January 2020	1,021	3,790	882	1,052	6,745
Additions	14	36	-	23	73
Disposals	(203)	(198)	(40)	(14)	(455)
At 31 December 2020	832	3,628	842	1,061	6,363
Depreciation and impairment					
At 1 January 2020	486	2,254	772	931	4,443
Depreciation charged for the year	93	484	73	59	709
Eliminated in respect of disposals	(122)	(134)	(24)	(8)	(288)
At 31 December 2020	457	2,604	821	982	4,864
Carrying amount					
At 31 December 2020	375	1,024	21	79	1,499
At 31 December 2019	535	1,536	110	121	2,302

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Fixed asset investments

	Notes	2020 £'000	2019 £'000
Investment in subsidiaries	15	24,858	39,390
Movements in fixed asset investments			
Cost or valuation			Shares in subsidiary entities £'000
At 1 January 2020			39,390
Disposals			(14,532)
As at 31 December 2020			24,858

The disposals are detailed in Note 15.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Address of registered office	Country of incorporation or residency	Class of shareholding	% Held	
				Direct	Indirect
Optimas (Suzhou) Trading Co. Ltd	No 96 Weixi Road Weiting Town Suzhou Industrial Park Suzhou 215122 China	China	Ordinary	100.00	-
Optimas OE Solutions SAS	9, rue Gutenberg 57200 Sarreguemines France	France	Ordinary	100.00	-
Optimas OE Solutions Baglanti Sistemleri Satis ve Ticaret Limited Sirketi	Schenker Arkas Orhanlı Lojistik Merkezi Burgaz Cad. No 3 Orhanlı/ Tuzla Istanbul Turkey	Turkey	Ordinary	100.00	-
Optimas OE Solutions S.L.U	Passatge Garrotxa Nave 3 Sant Boi de Lobregat 08830 Barcelona Spain	Spain	Ordinary	100.00	-
Optimas OE Solutions Ltda. S. De R.L. de C.V.	Avenida Prolongación Zaragoza 1301, interior number 303, Residencial Pulgas Pandas Norte, Aguascalientes Mexico	Mexico	Ordinary	99.99	0.01
Optimas OE Solutions Pvt Ltd	P4, 101A, Pentagon Towers Magarpatta 411028 Pune, India	India	Ordinary	99.00	1.00
Optimas OE Solutions ULC	900-1959 Upper Water Street Halifax NA B3J 3N2 Canada	Canada	Ordinary	100.00	-

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Subsidiaries (Continued)

Name of undertaking	Address of registered office	Country of incorporation or residency	Class of shareholding	% Held	
				Direct	Indirect
Barton Cold-Form (UK) Limited	Waterwells Drive Quedgeley Gloucester GL2 2FR	UK	Ordinary	100.00	-
Optimas OE Solutions HK Ltd	Level 54 Hopewell Ctr 183 Queen's Road East Hong Kong	Hong Kong	Ordinary	100.00	-
Optimas OE Solutions (Acquisition) LLC	The Corporation Trust Company Corporation Trust Center 1209 Orange St Wilmington, DE 19801	USA	Ordinary	100.00	-
Optimas UK Growth Ltd	Waterwells Drive Quedgeley Gloucester GL2 2FR	UK	Ordinary	100.00	-
Optimas OE Solutions (Japan) GK	212-1 Aza-Isiigami Oaza-Ryoke Ageo-shi Saitama-ken, Japan	Japan	Ordinary	100.00	-
Optimas OE Services GmbH	Thurn-und-Taxis-Platz 6 60313 Frankfurt a. Main Germany	Germany	Ordinary	100.00	-

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Subsidiaries (Continued)

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £'000	Capital and Reserves £'000	Period From	Period To
Optimas (Suzhou) Trading Co. Ltd	2,070	8,694	01/01/2020	31/12/2020
Optimas OE Solutions SAS	(285)	7,837	01/01/2020	31/12/2020
Optimas OE Solutions Baglanti Sistemleri Satis ve Ticaret Limited Sirketi	913	6,028	01/01/2020	31/12/2020
Optimas OE Solutions S.L.U	(349)	470	01/01/2020	31/12/2020
Optimas OE Solutions Ltda. S. De R.L. de C.V.	(41)	9,826	01/01/2020	31/12/2020
Optimas OE Solutions Pvt Ltd	(762)	921	01/01/2020	31/12/2020
Optimas OE Solutions ULC	(308)	603	01/01/2020	31/12/2020
Barton Cold-Form (UK) Limited	(1,441)	(4,597)	01/01/2020	31/12/2020
Optimas OE Solutions HK Ltd	1,047	3,755	01/01/2020	31/12/2020
Optimas OE Solutions (Acquisitions) LLC	-	-	01/01/2020	31/12/2020
Optimas UK Growth Ltd	-	-	01/01/2020	31/12/2020
Optimas OE Solutions (Japan) GK	30	737	01/01/2020	31/12/2020
Optimas OE Services GmbH	188	209	01/01/2020	31/12/2020

Barton Cold-Form (UK) Limited is a manufacturer of fasteners for the automotive industry. Optimas UK Growth Ltd operates a share-based long term incentive plan for the employees of Optimas OE Solutions Limited, its parent entity. Optimas OE Services GmbH and Optimas OE Solutions S.L.U are sales offices servicing the European business. All the other subsidiaries are suppliers of fasteners, C Class components and related services to automotive and other OEM manufacturers.

On 03 April 2020, four European Subsidiaries (Optimas OE Solutions BVBA, Optimas OE Solutions EOOD, Optimas OE Solutions GmbH and Optimas OE Solutions S.R.L) were sold to Accursia Capital GmbH, a Munich-based private equity firm that services OEMs outside of the automotive and tunnel sectors. Optimas retained the global business for Cummins and will share several important regional accounts with Accursia Capital.

Optimas OE Solutions Comercializacao de Parafusos Ltda, previously a dormant company, was liquidated in June 2020.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Stocks

	2020 £'000	2019 £'000
Stocks of finished goods	<u>18,119</u>	<u>31,994</u>

17 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts due from group undertakings	26,594	33,503
Trade debtors	19,499	24,189
Other debtors	42	399
Prepayments and accrued income	733	1,581
Corporation tax	-	338
Foreign withholding tax	-	(839)
	<u>46,868</u>	<u>59,171</u>
Amounts falling due after one year:		
Amounts due from group undertakings	<u>17,022</u>	<u>19,338</u>
Total debtors	<u>63,890</u>	<u>78,509</u>

Of the amounts falling due after one year, the amounts due from group undertakings are due after 5 years. The amounts are due to be repaid in full on 1 June 2025. Interest of 2.02% is due on the total balance.

18 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	-	26,110
Trade creditors	11,078	13,046
Amounts due to group undertakings	23,918	35,411
Accruals and deferred income	3,194	2,003
Corporation tax	438	-
Foreign withholding tax	880	-
Other creditors	2,074	-
VAT	2,861	329
	<u>44,443</u>	<u>76,899</u>

OPTIMAS OE SOLUTIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

19 Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Amounts due to group undertakings	-	65,893

20 Financial instruments

	2020	2019
	£'000	£'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	63,156	77,429
Equity instruments measured at cost less impairment	24,858	39,390
Carrying amount of financial liabilities		
Measured at amortised cost	40,264	142,462

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Borrowings

	2020 £'000	2019 £'000
Bank loans – payable in one year	-	26,110

On June 1, 2015, jointly with the parent company Optimas OE Solutions Holdings LLC, we entered into a \$150 million five-year asset Senior Revolving Credit Facility secured by a portion of our accounts receivable and inventory. Prior to December 9, 2019, our asset based senior secured revolving credit facility (the "Amended Senior Revolving Credit Facility") was limited to \$180.0 million and matured in July 2023.

On December 9, 2019, the facility was amended to reduce the facility to \$175.0 million, change the maturity date to the earlier of (a) December 9, 2022 or (b) the maturity date of the senior secured notes, discussed below, and reduce the lending group to a single banking institution.

On December 30, 2020, the facility was amended to reduce the facility to \$110 million and change the maturity date to December 30, 2025. Our borrowing base, certified monthly, is based on eligible accounts receivable and inventory. We use the facility primarily for general corporate purposes. This committed facility is available to Optimas OE Solutions Limited and is secured by way of a fixed charge over property, investments, equipment, book debts, intellectual property rights, goodwill and insurance claims. There is also a floating charge over all other present and future business, undertakings and assets.

As at 1 January 2021 there was net excess availability of \$38.3 million (2019: \$28.1m) to the group in total.

Interest is payable on drawn funds at a base rate (based on LIBOR) and applicable margin determined by the lenders.

The bank loan represents the drawings outstanding on this facility and is repayable in less than one year.

As at 1 January 2021, there were no drawings under the facility in the UK (2019: £34.3m.) The average interest rate applicable on these drawings was 0% (2019: 5.32%).

22 Retirement benefit schemes

Defined contribution schemes

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 charge to profit and loss in respect of defined contribution schemes was £686k (2019: £783k). At the year end, £7k was outstanding and included in creditors (2019: £112k).

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Share capital

	2020 £'000	2019 £'000
Ordinary share capital		
Authorised, issued and fully paid		
109,045,117 Ordinary shares of \$1 each	70,372	70,372
74,776,000 Ordinary shares of \$1 each	60,723	-
	<hr/>	<hr/>
183,821,117 Ordinary shares of \$1 each	131,095	70,372
	<hr/>	<hr/>

The shares rank equally for voting purposes and dividend rights. Each share ranks equally on a winding up for any distribution made. The shares are not redeemable.

Subscription for Shares

On 22 June 2020, the Company (Optimas OE Solutions Limited) issued 74,776,000 ordinary shares in the capital of the Company to its sole shareholder (the Parent) (Optimas OE Solutions Holding LLC) for a total subscription price of US\$74,776,000.

The Subscription Price was satisfied by the prepayment of the principal amount only due payable by the Company on a global intercompany loan note made on 01 June 2015 between the Company and the Parent, for the sum of US\$74,776,000. The accrued and unpaid interest of US\$5,882,000 is left outstanding.

24 Reserves

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

25 Financial commitments, guarantees and contingent liabilities

Optimas OE Solutions Limited has a £700,000 duty deferment guarantee in place with HMRC (2019: £700,000).

Optimas OE Solutions Limited has counter-guarantees in place for European subsidiaries with a total value of €474,491 (2019: €848,430).

Optimas OE Solutions Holdings LLC, the parent company, has parental guarantees over liabilities due to, Grange Limited, Leasedrive Ltd and Yanfeng Global Automotive.

Optimas OE Solutions Limited also has a cross guarantee, held by Ally Bank, over the \$130,000,000 term loans that were issued to Optimas OE Solutions Holdings LLC over all assets that are not otherwise secured by the bank.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

26 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 £'000	2019 £'000
Within one year	1,158	1,933
Between two and five years	1,980	3,577
In over five years	160	412
	<u>3,298</u>	<u>5,922</u>

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows:

	2020 £'000	2019 £'000
Aggregate compensation	<u>725</u>	<u>561</u>

Details on guarantees in place have been given in note 25.

Optimas OE Solutions Limited has taken advantage of the exemption in FRS 102 to not report on transactions between wholly owned group entities.

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Share based payments

Growth Units

During 2016, AIP F (Cayman), Ltd, in its capacity as general partner of Optimas OE Solutions Holding, LP (the "Partnership"), incorporated a new legal entity, Optimas UK Growth Ltd ("Growth Co"), as a wholly-owned subsidiary of Optimas OE Solutions Limited ("Limited").

During 2017, the Partnership created Growth Unit awards in Growth Co which it provided to employees of Limited. The number of Growth Units permitted to be issued shall not exceed 2.5 million Growth Units.

The exercise price of the Growth Units issued is the fair value of the underlying equity at the time of the grant. Growth Units do not have a contractual life or vesting period.

The Growth Units have a put feature at the option of the employee that is triggered by an exit event, defined as the sale of the Partnership or 90% of its assets. The put feature ends 90 days after the triggering event.

A total of 2.4 million Growth Units have been granted and are outstanding as of 31 December 2020.

Exercisability of the put is contingent upon the occurrence of an exit transaction as defined in the agreements. As of 31 December 2020 the company could have potentially recognised £0.6 million of compensation expense, which the directors have concluded is not material.

We estimate the fair value of the Growth Units at the closing price on the grant date by applying the fair value determined using the Black-Scholes option valuation model. The application of this valuation model involves assumptions that are highly subjective, judgmental and sensitive in the determination of compensation cost.

Growth Unit activity for the year ended 31 December 2020 was as follows:

	Number of shares	Weighted average exercise price	Average remaining contractual term
Outstanding - 31 December 2019	1,840,833	£0.76	7.0 years
Granted	1,684,134	£0.73	9.3 years
Exercised	-	-	-
Forfeited or expired	(1,135,834)	£0.73	5.5 years
Outstanding – 31 December 2020	2,389,133	£0.73	9.1 years
Exercisable at 31 December 2020	-	-	-

OPTIMAS OE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Share based payments (continued)

Key Assumptions

The key assumptions used in determining the fair value of all the awards granted as of 31 December 2020 were as follows:

Key Assumptions	31 December 2020
Risk free interest rate	0.49%-2.68%
Expected term	6.5 years
Expected volatility	28.99%-35.37%
Dividend yield	0.0%

Peer group information is the basis for the selection of the expected volatility. The estimated expected term is the expected life. The risk-free interest rate is selected based upon yields of United States Treasury issues with a term equal to the expected term of the option being valued.

29 Controlling party

Optimas OE Solutions Limited is wholly owned by Optimas OE Solutions Holding LLC, a company registered in the USA.

The ultimate controlling party is deemed to be AIPCF V Feeder F LP, a partnership registered in the Cayman Islands.

The smallest and largest group that Optimas OE Solutions Limited is part of, which produce publically available financial statements, is headed by Optimas OE Solutions Holding LLC. These can be obtained from the following address:

Companies House
Crown Way
Cardiff
CF14 3UZ

OPTIMAS

Optimas OE Solutions Holding, LLC and Subsidiaries

Annual Report For The Fiscal Year Ended January 1, 2021

2651 Compass Rd.
Glenview, IL 60026
(224) 999 - 1000

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 9432123



COMPANIES HOUSE

Optimas OE Solutions Holding, LLC and Subsidiaries

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**Optimas OE Solutions Holding, LLC and Subsidiaries
Consolidated Financial Statements**



Independent Auditor's Report

To the Board of Members
Optimas OE Solutions Holding, LLC and Subsidiaries

RSM US LLP

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Optimas OE Solutions Holding, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of January 1, 2021 and January 3, 2020, the related consolidated statements of operations, comprehensive loss, changes in member's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 1, 2021 and January 3, 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
March 10, 2021

Optimas OE Solutions Holding, LLC and Subsidiaries
Consolidated Statements of Operations
(in millions of dollars)

	For the years ended	
	January 1, 2021	January 3, 2020
Net sales	\$ 614.0	\$ 864.9
Cost of goods sold	479.0	692.4
Gross profit	135.0	172.5
Operating expenses	139.1	171.1
Amortization of intangible assets	0.8	1.3
Operating (loss) profit before loss on sale of subsidiaries	(4.9)	0.1
Loss on sale of subsidiaries	6.5	29.9
Operating loss	(11.4)	(29.8)
Interest expense	(22.4)	(25.3)
Gain on debt retirement	1.0	12.0
Unrealized foreign exchange loss on intercompany loans	(9.3)	(1.5)
Loss before income taxes	(42.1)	(44.6)
Income tax expense	(2.6)	(3.0)
Net loss	\$ (44.7)	\$ (47.6)

See accompanying notes to the consolidated financial statements.

Optimas OE Solutions Holding, LLC and Subsidiaries
Consolidated Statements of Comprehensive Loss
(in millions of dollars)

	For the years ended	
	January 1, 2021	January 3, 2020
Net loss	\$ (44.7)	\$ (47.6)
Other comprehensive income:		
Foreign currency translation effect	6.7	0.3
Comprehensive loss	\$ (38.0)	\$ (47.3)

See accompanying notes to the consolidated financial statements.

Optimas OE Solutions Holding, LLC and Subsidiaries
Consolidated Balance Sheets
(in millions of dollars)

	January 1, 2021	January 3, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 18.7	\$ 44.7
Accounts receivable, net	121.2	134.3
Inventories, net	147.3	192.7
Other current assets	3.8	5.5
Total current assets	291.0	377.2
Fixed assets, net	20.9	20.0
Goodwill	30.1	30.0
Intangible assets, net	6.9	13.8
Other non current assets	0.1	1.8
Total assets	\$ 349.0	\$ 442.8
Liabilities		
Current liabilities		
Accounts payable	\$ 83.9	\$ 78.6
Accrued expenses and other	14.7	15.0
Senior revolving credit facility, net of unamortized deferred financing costs	55.0	124.6
Current portion of term loans	4.0	—
Total current liabilities	157.6	218.2
Senior secured notes, net of unamortized deferred financing costs	—	189.8
Term loans, net of unamortized deferred financing costs, less current portion	120.5	—
Total liabilities	278.1	408.0
Member's equity		
Member's equity	214.8	141.0
Accumulated deficit	(138.5)	(94.1)
Accumulated other comprehensive loss	(5.4)	(12.1)
Total member's equity	70.9	34.8
Total liabilities and member's equity	\$ 349.0	\$ 442.8

See accompanying notes to the consolidated financial statements.

Optimas OE Solutions Holding, LLC and Subsidiaries
Consolidated Statements of Cash Flows
(in millions of dollars)

	For the years ended	
	January 1, 2021	January 3, 2020
Cash flows provided by operating activities		
Net loss	\$ (44.7)	\$ (47.6)
Adjustments to reconcile net loss to cash provided by operating activities:		
Gain on debt retirement	(1.0)	(12.0)
Depreciation of fixed assets	5.5	7.0
Amortization of intangible assets	0.8	1.3
Amortization of deferred financing costs	2.4	2.1
Deferred income taxes	1.6	0.7
Unrealized intercompany foreign exchange loss	9.3	1.5
Loss on disposal of fixed assets	0.1	0.1
Loss on sale of subsidiaries	6.5	29.9
Obsolete and excess inventory reserves	(3.0)	(0.7)
Allowances for doubtful accounts	(0.1)	(0.2)
Change in operating assets and liabilities, net of effects of sale of subsidiaries:		
Accounts receivable	10.0	40.9
Inventories	44.9	8.8
Other assets	1.7	(1.3)
Accounts payable	13.8	8.3
Accrued expenses and other	(3.3)	(6.0)
Net cash provided by operating activities	44.5	32.8
Cash flows used in investing activities		
Expenditures for purchases of fixed assets	(7.2)	(5.0)
Proceeds from notes receivable from sale of subsidiaries	3.2	—
Net cash used in investing activities	(4.0)	(5.0)
Cash flows (used in) provided by financing activities		
Net (payments) proceeds from Senior Credit Facility	(26.2)	27.4
Payments from debt extinguishment	(30.6)	(20.2)
Receipts from (distributions to) member	0.3	(0.3)
Payments for debt issuance costs	(7.9)	(3.5)
Net cash (used in) provided by financing activities	(64.4)	3.4
Effect of exchange rate changes on cash and cash equivalents	(2.1)	1.0
Net change in cash and cash equivalents	(26.0)	32.2
Cash and cash equivalents, beginning of year	44.7	12.5
Cash and cash equivalents, end of year	\$ 18.7	\$ 44.7
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 20.7	\$ 21.5
Cash paid for taxes	\$ 1.3	\$ 0.3

(Continued)

Optimas OE Solutions Holding, LLC and Subsidiaries
Consolidated Statements of Cash Flows
(in millions of dollars)

	For the years ended	
	January 1, 2021	January 3, 2020
Supplemental schedule of non-cash investing and financing activities:		
Term borrowings to pay off senior secured notes purchased by affiliate and a portion of the line of credit	\$ 130.0	\$ —
Line of credit reduction funded by new term borrowings	\$ (42.6)	\$ —
Senior secured notes purchased and interest paid by affiliate	\$ (161.1)	\$ —
Contributions from affiliate resulting from discount on purchases of senior secured notes	\$ 73.8	\$ —
Notes receivable from sale of subsidiaries	\$ 14.5	\$ —

See accompanying notes to the consolidated financial statements.

Optimas OE Solutions Holding, LLC and Subsidiaries
Consolidated Statements of Changes in Member's Equity
(in millions of dollars)

	Member's equity	Accumulated deficit	Accumulated other comprehensive loss	Total member's equity
Balance as of December 28, 2018	\$ 141.0	\$ (46.2)	\$ (12.4)	\$ 82.4
Net loss	—	(47.6)	—	(47.6)
Distributions to member	—	(0.3)	—	(0.3)
Other comprehensive income	—	—	0.3	0.3
Balance as of January 3, 2020	\$ 141.0	\$ (94.1)	\$ (12.1)	\$ 34.8
Net loss	—	(44.7)	—	(44.7)
Receipts from member	—	0.3	—	0.3
Additional paid-in capital	73.8	—	—	73.8
Other comprehensive income	—	—	6.7	6.7
Balance as of January 1, 2021	<u>\$ 214.8</u>	<u>\$ (138.5)</u>	<u>\$ (5.4)</u>	<u>\$ 70.9</u>

See accompanying notes to the consolidated financial statements.

Optimas OE Solutions Holding, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Summary and Description of the Business

Optimas OE Solutions Holding, LLC is a technology-enabled global distributor and manufacturer that provides fasteners, inventory management services and production related consumables to help global producers elevate efficiencies and reduce costs. Our product portfolio includes nuts, bolts, screws, washers, clips, fittings, gaskets, brackets and other fasteners, as well as personal protective equipment and maintenance repair and operations supplies required by manufacturers. At January 1, 2021, we operated in 12 countries with presence in three continents: North America, Europe, and Asia. Utilizing deep expertise and forward-looking processes, we minimize supply chain risk, optimize inventory, enhance operations and improve product quality for industrial manufacturers.

As used herein, and except where the context otherwise requires, "Optimas", the "Company", "we", "us" or "our" refer to Optimas OE Solutions Holding, LLC and its consolidated subsidiaries.

Optimas was formed on February 24, 2015. On June 1, 2015, American Industrial Partners Capital Fund V, L.P. ("AIP"), our indirect parent, purchased the net assets of the OEM Supply-Fasteners Business (the "Fasteners Business") of Anixter International Inc. ("Anixter"), and invested those net assets in Optimas. Prior to the acquisition of the Fasteners Business (the "Acquisition") we had no operations.

We manage our business and report our operating results based on the geographies we serve. We have two reportable segments as follows: Americas and International. Refer to *Note 12, Segment Reporting*, for further detail.

Principles of Consolidation

The consolidated financial statements include the accounts of Optimas OE Solutions Holding, LLC and its wholly owned subsidiaries. We operate and report using a "4-4-5 calendar," weekly operational calendar, which divides a year into 4 quarters, with each quarter typically containing 13 weeks. These 13 weeks are grouped into two 4-week "months" and one 5-week "month," although quarters may occasionally consist of "4-4-6" months, depending on the calendar. Our fiscal year ends on the Friday nearest December 31, which fell on January 1, 2021 for fiscal year 2020, and on January 3, 2020 for fiscal year 2019, and aligns with the financial close dates of our reportable segments. All intercompany transactions are eliminated in consolidation.

Use of Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require us to make accounting policy elections, estimates, and assumptions that affect a number of amounts in our consolidated financial statements. Significant accounting policy elections, estimates, and assumptions include, among others, valuation assumptions of goodwill and intangible assets, useful lives of long-lived assets, allowances for doubtful accounts, inventory reserves, and income taxes. We base our estimates on historical experience and other assumptions that we believe are reasonable. If actual amounts differ from estimates, we include the revisions in our consolidated results of operations in the period the actual amounts become known.

Foreign Currencies and Foreign Operations

We have determined that for each of our subsidiaries, the functional currency is their local currency. We translate the results of operations of our foreign subsidiaries using average exchange rates during each period and translate balance sheet accounts using exchange rates at the end of each period. We record currency translation adjustments as a component of equity, and gains and losses on transactions are recorded in the consolidated statement of operations.

The following tables summarize our net sales and assets by United States and foreign operations for the years ended January 1, 2021, and January 3, 2020:

	For the years ended	
	January 1, 2021	January 3, 2020
(in millions of \$)		
Net sales:		
United States operations	\$ 289.7	\$ 375.7
Foreign operations	324.3	489.2
Total net sales	\$ 614.0	\$ 864.9
	January 1, 2021	January 3, 2020
(in millions of \$)		
Assets:		
United States operations	\$ 161.4	\$ 179.1
Foreign operations	187.6	263.7
Total assets	\$ 349.0	\$ 442.8

Cash and Cash Equivalents

Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less. As of January 1, 2021, we had \$18.7 million in cash and cash equivalents, of which \$15.7 million was held outside of the United States. As of January 3, 2020, we had \$44.7 million in cash and cash equivalents, of which \$35.3 million was held outside of the United States.

Receivables and Allowance for Doubtful Accounts

We carry our accounts receivable at their face amounts less an allowance for doubtful accounts. On a regular basis, we evaluate our accounts receivable and establish the allowance for doubtful accounts based on a combination of specific customer circumstances, as well as credit conditions and history of write-offs and collections. The allowance for doubtful accounts at January 1, 2021 and January 3, 2020 were \$0.5 million and \$10.5 million, respectively. At January 3, 2020, allowance for doubtful accounts included \$9.9 million related to the pending sale of our subsidiaries, described further in *Note 2, Sale of Subsidiaries*. Receivables are written off and deducted from the allowance account when receivables are deemed uncollectible.

Concentration of Risk

For the year ended January 1, 2021, our three largest customers represented 15.8%, 9.9%, and 9.0%, respectively, of our net sales.

For the year ended January 3, 2020, our three largest customers represented 13.7%, 11.8% and 10.0%, respectively, of our net sales.

Inventories and Valuation for Excess and Obsolete Inventory

We record inventories at the lower of cost or net realizable value. We value all of our inventories using the average cost method. We have agreements with some of our vendors that provide a right to return products. This right is typically limited to a small percentage of our total purchases from that vendor. Such rights provide that we can return slow-moving product and the vendor will replace it with faster-moving product chosen by us. Some vendor agreements contain price protection provisions that require the manufacturer to issue a credit in an amount sufficient to reduce our current inventory carrying cost down to the manufacturer's current price.

We review the components of inventory for excess, obsolete and impaired inventories and make dispositions or reserves against such inventories as appropriate. We record inventory allowances based on specific factors, including:

- Expected future usage
- Whether a customer is obligated by contract to purchase the inventory
- Current market pricing
- Historical consumption experience
- Risk of obsolescence

At January 1, 2021, and January 3, 2020 we reported inventory of \$147.3 million (net of inventory reserves of \$16.9 million) and \$192.7 million (net of inventory reserves of \$39.9 million), respectively.

Fixed Assets

We record fixed assets at either fair value through the acquisition of a business or historical cost. We depreciate fixed assets using the straight-line method over the estimated useful lives of the assets.

We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use. We amortize capitalized software costs on a straight-line basis over the estimated useful lives of the software.

The following table summarizes our useful lives by fixed asset category, as follows:

Asset Category	Useful Life Range
Leasehold improvements	Life of asset or lease term (a)
Machinery and equipment	2 to 10 years
Furniture and fixtures	3 to 5 years
Computer hardware and software	3 to 5 years

(a) We depreciate leasehold improvements using the shorter of the estimated useful life of the asset or the lease term.

Impairment of Long-lived Assets

We review the carrying amounts of our long-lived assets, including definite-lived intangible assets, on an ongoing basis and when events or circumstances indicate that such carrying amounts may not be recoverable. We record impairment losses on long-lived assets, when events and circumstances indicate the assets may be impaired and the estimated future cash flows generated by those assets are less than their carrying amounts. For the years ended January 1, 2021, and January 3, 2020, no impairment was recorded.

Goodwill

Goodwill is calculated as the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. We test goodwill for impairment on an annual basis on the first day of the fourth quarter, and when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Our first step includes comparing the reporting unit's estimated fair value with its carrying value. We review our reporting unit structure for goodwill testing annually or when significant changes in the organization occur. We estimate a reporting unit's fair value using planned growth rates, estimates of residual value, and estimates of market multiples. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, industry and economic conditions, and our actual results and conditions may differ over time. If the carrying value of a reporting unit's net assets exceeds its fair value, we apply the second step which requires that we measure the difference between the carrying value and implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, we consider the goodwill impaired and

reduce to its implied fair value. For the years ended January 1, 2021, and January 3, 2020, no impairment was required based on our analysis.

Definite-lived Intangible Assets

Our definite-lived intangible assets consist of customer relationships and trademarks acquired through business acquisition and are recorded at fair value as of the date of the transaction. We amortize customer relationships using the straight-line method over the 15-year estimated useful lives of the assets. We amortize trademarks using the straight-line method over the 10-year estimated useful lives of the assets.

Revenue Recognition

Effective January 4, 2019, the Company adopted Accounting Standards Update ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and related amendments, which creates a single source of revenue guidance for all companies in all industries. We adopted the standard using the modified retrospective approach. The adoption of this standard did not result in significant changes to our accounting policies, business processes, systems or controls, or have a material impact on our financial position, consolidated results of operations or consolidated cash flows. As such, prior period financial statements were not recast and there was no cumulative effect adjustment upon adoption.

Sales to customers are recognized, at a point in time, upon transfer of title, which generally occurs upon shipment of products, when the price is fixed and determinable and when collectability is reasonably assured. Our payment terms generally range between 30 to 90 days after invoice date. Our contracts have a single performance obligation and are generally short term in nature. We record sales net of sales taxes, customer discounts, rebates and similar charges. We recognize a provision for product returns and allowances as a reduction of sales within the same period that the sale is recognized. We calculate this provision based on an analysis of historical experience.

Management determined that there is one performance obligation associated with our contracts.

In instances where we do not have goods in stock and delivery times are critical, product is purchased from the manufacturer and drop-shipped to the customer. We generally take title to the goods when shipped by the manufacturer and bill the customer for the product upon transfer of the title to the customer. See *Note 3, Revenue Recognition* for further details.

Sales Taxes

We present sales tax amounts collected from customers for remittance to governmental authorities on a net basis in net sales on the consolidated statements of operations.

Income Taxes

We have elected to be taxed as a partnership, with income taxes assessed primarily at the member level. However, all our foreign subsidiaries continue to be subject to tax in their respective jurisdiction based on local country tax policies.

We account for deferred income taxes under the liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled.

We classify all deferred taxes as non-current in our balance sheet. We have included net deferred tax assets within other non current assets on the consolidated balance sheets. Net deferred tax assets amounted to \$0.2 million and \$1.5 million, at January 1, 2021 and January 3, 2020, respectively.

Insurance and Self-Insurance

We use a combination of insurance and self-insurance for a number of risks, including workers' compensation, general liability, automobile liability, product liability and our obligation for employee healthcare benefits. We estimate the liabilities associated with these risks on an undiscounted basis by evaluating and making judgments about historical claims experience and other actuarial assumptions and the estimated impact on future results.

Advertising and Sales Promotion

We expense advertising and sales promotion costs as they are incurred. Advertising and promotion costs included within operating expenses on the consolidated statements of operations amounted to \$0.6 million, and \$1.0 million for the years ended January 1, 2021, and January 3, 2020, respectively.

Shipping and Handling Fees and Costs

We include shipping and handling fees billed to customers in net sales. We include the cost of shipping and handling associated with outbound freight in operating expenses on the consolidated statements of operations. These costs amounted to \$8.5 million, and \$10.8 million for the years ended January 1, 2021, and January 3, 2020, respectively.

Debt Financing Costs

We have included our deferred financing costs, net of amortization, as a reduction of our long-term debt and line-of-credit arrangements in the balance sheet. We amortize debt financing costs as part of interest expense using the effective interest rate method over the life of our debt. Refer to *Note 7, Debt*, for further details on balances included in our consolidated balance sheets for the periods presented.

Stock-based Compensation

We measure the cost of all share-based compensation to employees, including grants of employee options, using a fair-value-based method. We estimate compensation costs based on the fair value at the grant date. For the years ended January 1, 2021, and January 3, 2020, we did not recognize stock based compensation expense because all awards granted only vest in the case of an exit transaction. Refer to *Note 8, Stock-based Compensation*, for further detail.

Defined Contribution Plan

We maintain a defined contribution 401(k) plan in which eligible employees can invest a portion of their earnings in various program funds. We expense Company matching contributions to the defined contribution plan for eligible employees as incurred. We include the cost of our contributions to the defined contribution plan in operating expenses on the consolidated statements of operations. We incurred \$0.6 million and \$1.5 million of expense related to matching contributions for the years ended January 1, 2021, and January 3, 2020, respectively.

Effective January 1, 2019, Circle Bolt & Nut, Inc. 401k Plan merged into the Optimas OE Solutions, LLC Employee Savings Plan. Total assets transferred into the Plan was \$1,742,644.

Fair Value Measurements

We measure the fair values of tangible and intangible assets on a nonrecurring basis if required by impairment tests applicable to these assets. We also use fair value measures for compensation derived from stock-based compensation arrangements.

We record cash, accounts receivables, other current assets, accounts payables, accrued liabilities, and short-term borrowings at cost, which approximates their fair value due to the immediate or short-term maturity of these financial instruments.

The Company discloses and classifies fair value measurements in one of the following three categories:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Accumulated Other Comprehensive Loss

We report certain unrealized gains and losses in "Accumulated other comprehensive loss" ("AOCL") which are also reported in other comprehensive income (loss) on the consolidated statements of comprehensive loss. These include unrealized gains and losses related to our investments in subsidiaries which are recorded in currencies other than the U.S. dollar. As these foreign currency denominated investments are translated at the end of each period during consolidation using period-end exchange rates, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. We translate the results of operations for foreign subsidiaries, where the functional currency is not the U.S. dollar, using the average exchange rates during the periods reported, while we translate the assets and liabilities using period-end exchange rates. We record the assets and liabilities-related translation adjustments as foreign currency translation, a separate component of AOCL.

COVID-19 Update

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic and recommended containment and mitigation measures worldwide. COVID-19 has spread through Asia, Europe, and North America, all regions in which we have operations.

In response, government authorities have issued an evolving set of mandates, including requirements to shelter-in-place, curtail business operations, restrict travel, and avoid physical interaction. These mandates have substantially disrupted normal business activities in many segments of the global economy. We are monitoring the impact of the outbreak of COVID-19 on our business, including how it has impacted our customers, employees, and supply chain.

The adverse impact of COVID-19 on the U.S. and global economies resulted in a negative impact on our business in the second, third, and fourth quarters and may continue in subsequent quarters, primarily as a result of reduced demand in certain of our end markets, such as the automotive sector. Further, we anticipate continued uncertainty in macroeconomic conditions potentially resulting in volatility in foreign exchange rates and interest rates impacting our reported results.

We have taken precautionary and preemptive actions to comply with orders or directives of national, state or local authorities, and we may take additional actions that we determine to be in the best interests of our employees, customers, suppliers and other stakeholders, which could disrupt or restrict our ability to operate our facilities. The extent to which our operations will be impacted by COVID-19 in the future depends on a variety of factors, including, the duration, severity and scope of the pandemic, which remain uncertain. Accordingly, we are unable to reliably predict the ultimate impact COVID-19 may have on our business, future results of operations, financial position or cash flows.

We believe we are well positioned from a liquidity perspective to manage through the effects of the COVID-19 pandemic. As of January 1, 2021, we had liquidity of approximately \$57.0 million, consisting of cash and availability under our revolving credit facility. We are in compliance with the covenants under our credit facility and expect to remain in compliance. We will continue to evaluate and take action to preserve liquidity and generate cash flow during the crisis, including limiting capital expenditures and discretionary spending, as appropriate and where possible.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases. Since that date, the FASB has issued additional ASU's clarifying certain aspects of ASU 2016-02. The new guidance supersedes the lease guidance under FASB Accounting Standards Codification ("ASC") Topic 840, Leases, resulting in the creation of FASB ASC Topic 842, Leases. The guidance requires a lessee to recognize on the Balance Sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases. Subsequent guidance issued after February 2016 did not change the core principle of ASU 2016-02. The guidance is effective for fiscal years beginning after December 15, 2021, using the modified retrospective method. The modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted for all entities. We are in the process of analyzing the impact of this standard on our consolidated financial statements. We do not anticipate early adoption of the standard.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The new guidance provides financial statement users with improved information about the expected credit losses on trade receivables and other financial instruments held by a reporting entity at each reporting date. The amendments in this update replace the incurred loss methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2016-13 on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. This standard eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (i.e. Step 2 of the current guidance), instead measuring the impairment charge as the excess of the reporting unit's carrying amount over its fair value (i.e. Step 1 of the current guidance). This guidance is effective for annual and any interim impairment tests performed for periods beginning after December 15, 2022. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which helps entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (CCA) by providing guidance for determining when an arrangement includes a software license and when an arrangement is solely a hosted CCA service. Under ASU 2018-15, customers will apply the same criteria for capitalizing implementation costs as they would for an arrangement that has a software license. The new guidance also prescribes the balance sheet, income statement, and cash flow classification of the capitalized implementation costs and related amortization expense, and requires additional quantitative and qualitative disclosures. The new standard is effective for annual periods after December 15, 2020. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance prospectively to eligible costs incurred on or after the date this guidance is first applied or retrospectively. The adoption of this standard does not have any material impact our consolidated financial statements and related disclosures.

We do not believe that the adoption of any other issued, but not yet effective, accounting pronouncements would have a material impact on our consolidated financial statements or disclosures.

Note 2. Sale of Subsidiaries

During the first quarter of 2020, we entered into an agreement to sell our subsidiaries holding substantially all assets and liabilities related to our businesses in Italy, Germany, Bulgaria, Belgium, and Sweden. On April 3, 2020, the sale was completed. The sale agreement included customary representations and warranties and an agreement not to compete.

As of January 3, 2020, estimated net proceeds from the sale were \$20.0 million. Actual sale proceeds consisted of notes receivable aggregating \$8.8 million and a value added tax receivable of \$6.2 million. The notes receivable

are secured by inventory and are payable in twelve monthly payments that began in July 2020. The value added tax claim has been filed and is subject to review by Italian tax authorities. Sale proceeds are recorded within accounts receivable on the consolidated balance sheets.

Loss on sale of \$6.5 million and \$29.9 million was recorded for the years ended January 1, 2021 and January 3, 2020, respectively, as a component of operating loss in the consolidated statements of operations.

Note 3. Revenue Recognition

Consideration Payable to a Customer

We offer customers sales incentives, primarily volume discounts and rebates. These volume discounts and rebates result in a reduction of net sales from the goods transferred to the customer at the later of when the related revenue is recognized or when the Company promises to pay the consideration. The Company estimates volume discount and rebate accruals based on various factors, including contract terms, historical experience, and performance levels and are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Disaggregation of Revenue

Reportable Segments

We manage our business and report our operating results based on the geographies we serve. We have two reportable segments as follows: Americas and International.

The following table presents the disaggregation of net sales related to our reportable segments for the years ended January 1, 2021, and January 3, 2020:

<i>(in millions of \$)</i>	<u>January 1, 2021</u>	<u>January 3, 2020</u>
Americas	\$ 342.8	\$ 452.9
International	271.2	412.0
Net Sales	<u>\$ 614.0</u>	<u>\$ 864.9</u>

For additional information about our reportable segments, refer to *Note 12, Segment Reporting*, in the notes to the consolidated financial statements contained in this Annual Report.

Products and Services

We group our products in three broad categories: custom engineered fasteners, C Class components, and internally manufactured components. The following table summarizes our net sales in these three broad product categories for the years ended January 1, 2021, and January 3, 2020:

<i>(in millions of \$)</i>	<u>January 1, 2021</u>		<u>January 3, 2020</u>	
	<u>Net Sales</u>	<u>%</u>	<u>Net Sales</u>	<u>%</u>
Custom engineered fasteners	\$ 458.9	74.7 %	\$ 579.4	67.0 %
C Class components	115.9	18.9 %	233.0	26.9 %
Internally manufactured components	39.2	6.4 %	52.5	6.1 %
Total	<u>\$ 614.0</u>	<u>100.0 %</u>	<u>\$ 864.9</u>	<u>100.0 %</u>

Net Sales by Key End Market

The following table summarizes our net sales by key end market for the years ended January 1, 2021, and January 3, 2020:

	January 1, 2021		January 3, 2020	
	Net Sales	%	Net Sales	%
(in millions of \$)				
Automotive	\$ 140.8	22.9 %	\$ 220.5	25.5 %
General Industrial	223.9	36.5 %	301.2	34.8 %
Commercial Vehicles	192.8	31.4 %	273.7	31.6 %
Power Generation Equipment	32.0	5.2 %	34.1	3.9 %
Agriculture Equipment	24.5	4.0 %	35.4	4.2 %
Total	<u>\$ 614.0</u>	<u>100.0 %</u>	<u>\$ 864.9</u>	<u>100.0 %</u>

Contract Assets and Liabilities

The Company records a contract asset when it has a right to payment from a customer that is conditioned on events other than the passage of time. The Company records a contract liability when customers prepay but the Company has not yet satisfied its performance obligation. The Company did not have material unsatisfied performance obligations, contract assets or liabilities as of January 1, 2021, and January 3, 2020.

Note 4. Inventories

The components of inventories at January 1, 2021, and January 3, 2020, were as follows:

	January 1, 2021	January 3, 2020
(in millions of \$)		
Finished goods	\$ 159.1	\$ 227.7
Work in progress	2.8	3.5
Raw materials	2.3	1.4
Reserves	(16.9)	(39.9)
Inventories, net	<u>\$ 147.3</u>	<u>\$ 192.7</u>

At January 3, 2020, inventory reserves included \$20.0 million related to the pending sale of our subsidiaries, described further in *Note 2, Sale of Subsidiaries*.

Note 5. Fixed Assets

The components of fixed assets at January 1, 2021, and January 3, 2020, were as follows:

	January 1, 2021	January 3, 2020
(in millions of \$)		
Leasehold improvements	\$ 4.1	\$ 5.4
Machinery and equipment	34.0	32.7
Furniture and fixtures	2.7	3.1
Computer hardware and software	16.7	15.6
Construction in progress	5.0	3.4
	62.5	60.2
Accumulated depreciation	(41.6)	(40.2)
Fixed assets, net	<u>\$ 20.9</u>	<u>\$ 20.0</u>

Depreciation expense for the years ended January 1, 2021, and January 3, 2020, was \$5.5 million, and \$7.0 million, respectively.

Note 6. Goodwill and Intangible Assets

The following table summarizes goodwill attributable to our reportable segments as follows:

	<u>January 1, 2021</u>	<u>January 3, 2020</u>
(in millions of \$)		
Americas	12.3	12.3
International	17.8	17.7
Goodwill	<u>\$ 30.1</u>	<u>\$ 30.0</u>

The components of goodwill and intangible assets at January 1, 2021, and January 3, 2020, were as follows:

	<u>January 1, 2021</u>		<u>January 3, 2020</u>	
	<u>Goodwill</u>	<u>Intangible Assets</u>	<u>Goodwill</u>	<u>Intangible Assets</u>
(in millions of \$)				
Prior year net balance	\$ 30.0	\$ 13.8	30.2	15.2
Sale of subsidiaries	—	(6.0)	—	—
Amortization expense	—	(0.8)	—	(1.3)
Effect of foreign currency translation	0.1	(0.1)	(0.2)	(0.1)
Net balance	<u>\$ 30.1</u>	<u>\$ 6.9</u>	<u>\$ 30.0</u>	<u>\$ 13.8</u>

The following table summarizes the components of goodwill and intangible assets:

	<u>January 1, 2021</u>		<u>January 3, 2020</u>	
	<u>Goodwill</u>	<u>Intangible Assets</u>	<u>Goodwill</u>	<u>Intangible Assets</u>
(in millions of \$)				
Gross balance	\$ 30.1	\$ 10.1	\$ 30.0	\$ 19.1
Accumulated amortization	—	(3.2)	—	(5.3)
Net balance	<u>\$ 30.1</u>	<u>\$ 6.9</u>	<u>\$ 30.0</u>	<u>\$ 13.8</u>

Using January 1, 2021 exchange rates, we estimate annual amortization expense for each of the next five years to be \$0.7 million.

Note 7. Debt*Senior Revolving Credit Facility*

On June 1, 2015, we entered into a \$150 million five-year asset Senior Revolving Credit Facility secured by a portion of our accounts receivable and inventory. Prior to December 9, 2019, our asset based senior secured revolving credit facility (the "Amended Senior Revolving Credit Facility") was limited to \$180.0 million and matured in July 2023. On December 9, 2019, the facility was amended to reduce the facility to \$175.0 million, change the maturity date to the earlier of (a) December 9, 2022 or (b) the maturity date of the senior secured notes, discussed below, and reduce the lending group to a single banking institution. On December 30, 2020, the facility was amended to reduce the facility to \$110 million and change the maturity date to December 30, 2025. Our borrowing base, certified monthly, is based on eligible accounts receivable and inventory. We use the facility primarily for general corporate purposes.

The following table summarizes our Senior Revolving Credit Facility position as of January 1, 2021 and January 3, 2020:

	Borrowing Base	Drawn	Letters of Credit	Excess Availability
(in millions of \$)				
January 1, 2021	\$ 100.2	\$ 60.5	\$ 1.4	\$ 38.3
January 3, 2020	\$ 156.4	\$ 128.4	\$ —	\$ 28.0

Borrowings under the Amended Senior Revolving Credit Facility are designated as either Base Rate loans or LIBOR loans and bear the following interest rates:

Base Rate Loans accrue interest at the prime rate plus margin based on outstanding availability. The interest was 4.50% at January 1, 2021 and 6.25% at January 3, 2020.

LIBOR Loans have an original maturity of 30 to 180 days and accrue interest at LIBOR plus margin based on outstanding availability. Interest rates for outstanding advances as of January 1, 2021 was 3.50%. Interest rates for outstanding advances as of January 3, 2020 ranged from 4.21% to 4.29%.

The weighted average interest rate was 3.48% and 4.72%, at January 1, 2021, and January 3, 2020, respectively.

Fees include customary charges related to issuance of letters of credit and an unutilized commitment fee of 0.50% as of January 1, 2021 and January 3, 2020. Fees for the years ended January 1, 2021, and January 3, 2020, were \$0.4 million and \$0.2 million, respectively.

Term Loans

On December 30, 2020, we obtained \$130 million of Term Loans, of which \$80 million were issued with an annual interest rate of 6.25%, maturing on December 30, 2025, and the other \$50 million were issued with an annual interest rate of 8.25%, maturing on December 30, 2026. Interest on both Term Loans is payable quarterly. The Term Loans are secured by (a) a first priority lien on substantially all our assets, except inventory, accounts receivable and cash, and (b) a second priority lien on the assets securing the Senior Revolving Credit Facility.

Maturities of Term Loans as of January 1, 2021 are as follows:

	Term Loans
(in millions of \$)	
2021	\$ 4.0
2022	4.0
2023	4.0
2024	4.0
2025	64.0
Thereafter	50.0
Total	\$ 130.0

Senior Secured Notes

On May 8, 2015, we issued \$225 million of senior secured notes (the "Notes") with an annual interest rate of 8.625%. The Notes were secured by (a) a first priority lien on substantially all our assets, except inventory, accounts receivable and cash, and (b) a second priority lien on the assets securing the Senior Revolving Credit Facility. The Notes were scheduled to mature on June 1, 2021 with interest payable semiannually beginning December 1, 2015. During November 2019, we purchased and retired \$33.5 million of outstanding Notes, which resulted in a \$13.0 million gain on debt retirement, recorded to other non-operating income. During 2020, our

indirect parent, AIP, purchased and retired \$160.1 million of outstanding Notes, as well as \$1.0 million of interest. Subsequent to AIP's purchases of such Notes at an aggregate discount of approximately \$62.2 million, Optimas entered into a Note Purchase Agreement with AIP for approximately \$97.9 million prior to the aforementioned third party refinance transaction on December 30, 2020. AIP ultimately provided \$10.6 million of further relief from the Notes they had acquired, resulting in total additional paid-in capital of \$73.8 million (\$62.2 million, \$1.0 million, and \$10.6 million from the discount, interest, and relief, respectively). During December 2020, we purchased and retired the remaining \$31.4 million of outstanding Notes, which resulted in a \$1.0 million gain on debt retirement, recorded to other non-operating income.

Deferred Financing Costs

In connection with the issuance of the Notes and the Senior Revolving Credit Facility in 2015, we incurred \$15.3 million of deferred financing costs. In connection with the 2019 Amendment to the Senior Revolving Credit Facility, we incurred \$3.5 million of new deferred financing costs and expensed \$1.0 million of existing deferred financing costs. An additional \$0.3 million of deferred financing costs was expensed in 2019 related to the Note retirement discussed above. In connection with the 2020 Amendment to the Senior Revolving Credit Facility and newly acquired Term Loans, we incurred \$7.9 million of new deferred financing costs. In addition, \$0.2 million of deferred financing costs was expensed in 2020, related to the Note retirement discussed above. We amortize the deferred financing costs as part of interest expense over the life of our debt. We amortized \$2.4 million and \$2.1 million for the years ended January 1, 2021, and January 3, 2020, respectively.

At January 1, 2021, and January 3, 2020, outstanding debt balances, net of deferred financing costs, were:

	January 1, 2021		January 3, 2020	
	Senior Revolving Credit Facility	Term Loans	Senior Revolving Credit Facility	Notes
(in millions of \$)				
Outstanding balance	\$ 60.5	\$ 130.0	\$ 128.4	\$ 191.5
Deferred financing costs	(5.5)	(5.5)	(3.8)	(1.7)
Net balance	\$ 55.0	\$ 124.5	\$ 124.6	\$ 189.8

Interest Expense

The components of interest expense for the periods presented were:

	For the years ended	
	January 1, 2021	January 3, 2020
(in millions of \$)		
Interest expense related to the Notes	\$ 16.0	\$ 19.4
Interest expense related to the Term Loans	0.1	—
Interest expense related to the Senior Revolving Credit Facility	3.9	3.8
Amortization of deferred financing costs	2.4	2.1
Interest expense	\$ 22.4	\$ 25.3

Note 8. Stock-based Compensation

On June 1, 2015, AIP F (Cayman), Ltd, in its capacity as general partner of Optimas OE Solutions Holding, LP (the "Partnership"), approved Management Units ("Units") under the Amended and Restated Agreement of Exempted Limited Partnership as well as recipients' Management Unit Award Agreements (the "Agreements"). Under these Agreements, recipients of Units are admitted as Management Limited Partners of the Partnership. Pursuant to the Agreements, the number of Units of the Partnership's common units permitted to be issued, net of cancellations,

shall not exceed 15.7 million Units. The exercise price of the Units issued is the fair value of the underlying equity at the time of the grant. Units do not have a contractual life and vest over a five-year vesting period.

The Units will be treated as vested or unvested after giving effect to any exit transaction, as defined in the Agreements, as follows:

- a) If a Cash Return Multiple, as defined in the Agreements, of less than two was achieved, all Units will be treated as unvested,
- b) If a Cash Return Multiple, as defined in the Agreements, of greater than two but less than three, the percentage of Units to be treated as vested will be two multiplied by the difference between the Cash Return Multiple and 2.0.
- c) If a Cash Return Multiple, as defined in the Agreements, greater than three is achieved, then all Units will be treated as vested.

A total of 21.6 million Units have been granted and a total of 9.6 million Units are outstanding as of January 1, 2021. Recognition of share-based compensation expense is deferred and will be recognized upon the occurrence of an exit transaction. Exercisability of the Agreements is contingent upon the occurrence of an exit transaction as defined in the Agreements. As of January 1, 2021, and January 3, 2020, we could have potentially recognized \$3.1 million and \$2.7 million of compensation expense, respectively, had these Agreements become exercisable. We estimate the fair value of the Units at the closing price on the grant date by applying the fair value determined using the Black-Scholes option valuation model. The application of this valuation model involves assumptions that are highly subjective, judgmental and sensitive in the determination of compensation cost.

Unit activity for the years ended January 1, 2021, and January 3, 2020, were as follows:

	Units (in millions)	Average Exercise Price (whole dollars)	Average Remaining Contractual Term (in years)
Outstanding at December 28, 2018	10.4	\$ 1.0	8.6
Granted	4.1	1.0	9.3
Exercised	—	—	—
Forfeited or expired	(9.0)	1.0	—
Outstanding at January 3, 2020	5.5	1.0	8.1
Granted	6.6	1.0	9.6
Exercised	—	—	—
Forfeited or expired	(2.5)	1.0	—
Outstanding at January 1, 2021	<u>9.6</u>	<u>\$ 1.0</u>	<u>8.3</u>
Vested and exercisable at January 1, 2021	<u>—</u>	<u>\$ —</u>	<u>—</u>

Growth Units

During 2016, AIP F (Cayman), Ltd, in its capacity as general partner of Optimas OE Solutions Holding, LP (the "Partnership"), incorporated a new legal entity, Optimas UK Growth Ltd ("Growth Co"), as a wholly-owned subsidiary of Optimas OE Solutions Ltd ("Limited"). It then created Growth Units awards in Growth Co which it provided to employees of Limited. Pursuant to the agreements, the number of Growth Units of the Partnership's common units permitted to be issued, net of cancellations, shall not exceed 2.5 million Growth Units. The exercise price of the Growth Units issued is the fair value of the underlying equity at the time of the grant. Growth Units do not have a contractual life or vesting period.

The Growth Units have a put feature at the option of the employee that is triggered by an exit event, defined as the sale of the Partnership or 90% of its assets. The put feature ends 90 days after the triggering event.

A total of 3.7 million Growth Units have been granted and a total of 2.3 million are outstanding as of January 1, 2021. Recognition of share-based compensation expense is deferred and will be recognized upon the occurrence of an exit transaction. Exercisability of the put is contingent upon the occurrence of an exit transaction as defined in the agreements. As of January 1, 2021, and January 3, 2020, we could have potentially recognized \$0.7 million and \$0.4 million of compensation expense, respectively, had these put rights become exercisable. We estimate the fair value of the Growth Units at the closing price on the grant date by applying the fair value determined using the Black-Scholes option valuation model. The application of this valuation model involves assumptions that are highly subjective, judgmental and sensitive in the determination of compensation cost.

Growth Unit activity for the years ended January 1, 2021, and January 3, 2020, were as follows:

	Units (in millions)	Average Exercise Price (whole dollars)	Average Remaining Contractual Term (in years)
Outstanding at December 28, 2018	1.6	\$ 1.0	7.7
Granted	—	—	—
Exercised	—	—	—
Forfeited or expired	(1.0)	1.0	—
Outstanding at January 3, 2020	0.6	\$ 1.0	7.1
Granted	2.0	1.0	9.3
Exercised	—	—	—
Forfeited or expired	(0.3)	1.0	—
Outstanding at January 1, 2021	2.3	\$ 1.0	9.1
Vested and exercisable at January 1, 2021	—	\$ —	—

Key Assumptions

The key assumptions used in determining the fair value of all the awards granted as of January 1, 2021, and January 3, 2020, are as follows:

Key Assumptions	January 1, 2021	January 3, 2020
Risk-free interest rate	0.5% - 0.6%	1.6% - 2.6%
Expected term	6.5 years	6.5 years
Expected volatility	33.5% - 35.9%	27.1% - 33.3%
Dividend yield percentage	0.0%	0.0%

Peer group information is the basis for the selection of the expected volatility. The estimated expected term is the expected life. The risk-free interest rate is selected based upon yields of United States Treasury issues with a term equal to the expected term of the option being valued.

Note 9. Income Taxes

Optimas is a limited liability company and accordingly most income taxes are assessed at the member level. However, all foreign subsidiaries are subject to tax in their respective jurisdictions based on local country tax policies.

The components of loss before income taxes are:

	<u>For the years ended</u>	
	<u>January 1, 2021</u>	<u>January 3, 2020</u>
(in millions of \$)		
United States operations	\$ (10.3)	\$ (11.3)
Foreign operations	(31.8)	(33.3)
Loss before income taxes	\$ (42.1)	\$ (44.6)

The components of income tax expense are:

	<u>For the years ended</u>	
	<u>January 1, 2021</u>	<u>January 3, 2020</u>
(in millions of \$)		
Current:		
United States operations	\$ 0.3	\$ 0.9
Foreign operations	1.4	1.4
Total current taxes	1.7	2.3
Deferred:		
United States operations	—	—
Foreign operations	0.9	0.7
Total deferred taxes	0.9	0.7
Income tax expense	\$ 2.6	\$ 3.0
Effective income tax rate	(6.2)%	(6.7)%

A reconciliation of the income tax expense computed at the United States federal statutory rate to the actual income tax expense is as follows:

	<u>For the years ended</u>	
	<u>January 1, 2021</u>	<u>January 3, 2020</u>
(in millions of \$)		
Expected tax at statutory rate	\$ (8.9)	\$ (9.4)
Taxes attributable to non-taxable entities	2.2	2.4
Benefit of foreign earnings taxed at lower rates	3.6	0.4
Permanent items	6.7	6.0
Change in valuation allowance	(1.3)	2.8
Withholding tax	0.3	1.0
Other	—	(0.2)
Income tax expense	\$ 2.6	\$ 3.0

We have classified deferred income tax assets, net of deferred income tax liabilities, as non-current in our consolidated balance sheets. Net deferred income tax assets recognized in our consolidated balance sheets at January 1, 2021, and January 3, 2020, were \$0.2 million and \$1.5 million, respectively. Net deferred income tax assets are included within other non current assets on the consolidated balance sheets.

Deferred tax assets and liabilities relate to the following:

(in millions of \$)	<u>January 1, 2021</u>	<u>January 3, 2020</u>
Deferred Tax Assets:		
Net operating losses and tax credit carryforward	\$ 2.9	\$ 9.6
Reserves and accruals	0.6	2.6
Employee benefits	—	0.4
Total deferred income tax assets	<u>3.5</u>	<u>12.6</u>
Valuation allowance	<u>(2.0)</u>	<u>(9.7)</u>
Deferred tax assets after valuation allowance	1.5	2.9
Deferred Tax Liabilities:		
Intangibles	1.2	0.5
Fixed assets	<u>0.1</u>	<u>0.9</u>
Total deferred tax liabilities	<u>1.3</u>	<u>1.4</u>
Net deferred tax asset	<u>\$ 0.2</u>	<u>\$ 1.5</u>

In assessing whether deferred tax assets associated with temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes are realizable, we consider if it is more likely than not that they will be utilized to offset future taxable income during the periods in which those temporary differences become deductible for income tax purposes. As part of this evaluation, we assess the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets.

On the basis of this evaluation, our recorded valuation allowance amounted to \$2.0 million and \$9.7 million for the years ended January 1, 2021, and January 3, 2020, respectively. The decrease in the valuation allowance was due to the sale of our subsidiaries, described further in *Note 2, Sale of Subsidiaries*. The majority of our remaining valuation allowance was related to net operating losses carryforward in certain foreign jurisdictions. We believe it is more likely than not the benefits of the remaining deferred tax assets will be realized.

At January 1, 2021, we had net operating losses carryforwards of \$14.1 million, all of which were generated in foreign jurisdictions. Of these net operating losses carryforwards, \$13.0 million do not expire, with the remaining \$1.1 million carryforwards expiring in various years through 2029. At January 3, 2020, we had net operating losses carryforwards of \$38.3 million, all of which were generated in foreign jurisdictions. Of these net operating losses carryforwards, \$37.7 million do not expire, with the remaining \$0.6 million carryforwards expiring in various years through 2028.

For the years ended January 1, 2021, and January 3, 2020, we have no uncertain tax positions. We are subject to taxation in various states and foreign jurisdictions. We are subject to United States federal income tax examinations, and any state, local or foreign income tax examinations by tax authorities for the years 2016 forward.

Note 10. Commitments and Contingencies

Legal Proceedings

We are routinely involved in legal proceedings, claims, and governmental inquiries, inspections or investigations (“Legal Matters”) arising in the ordinary course of our business. While we cannot predict with certainty the results of Legal Matters in which we are currently involved or may in the future be involved, we do not expect that the ultimate costs to resolve any of the Legal Matters that are currently pending will have a material adverse effect on our financial condition or results of operations.

Self Insurance

We maintain occurrence-based insurance contracts with certain insurance carriers for workers’ compensation, medical and dental up to applicable retention limits. The medical insurance policy limits the claims the Company

may potentially pay up to \$200,000 per individual and 125% of total claims in aggregate, per year. Total medical and dental claims for the years ended January 1, 2021, and January 3, 2020 were \$6.1 million and \$7.5 million, respectively. The workers' compensation policy limits the claims the Company may potentially pay up to \$250,000 per accident and \$1,350,000 in aggregate.

Total workers' compensation expense for the years ended January 1, 2021, and January 3, 2020, was \$0.4 million and \$0.3 million respectively. Total medical and dental expense for the years ended January 1, 2021, and January 3, 2020, was \$3.9 million and \$5.9 million respectively. These expenses are included within operating expenses on the consolidated statements of operations. Expenses not paid as of each period end have been accrued and included within accrued expenses and other caption on the consolidated balance sheets. As of January 1, 2021, and January 3, 2020 we have accrued \$0.6 million and \$1.0 million, respectively, related to medical and dental insurance claims.

Leases

All of our office and warehouse facilities are leased under operating leases. A number of these leases are long-term operating leases containing rent escalation clauses. These leases expire at various dates through 2029.

Minimum lease commitments under operating leases at January 1, 2021 are as follows:

Fiscal year ended:

(in millions of \$)

2021	\$	8.3
2022		7.8
2023		6.7
2024		4.7
2025		3.6
Thereafter		5.4
Total minimum lease commitments	\$	<u>36.5</u>

Total rental expense was \$11.2 million and \$13.5 million for the years ended January 1, 2021, and January 3, 2020, respectively. Rental expense is included within operating expenses on the consolidated statements of operations.

Note 11. Related Parties

Optimas OE Solutions Holding, LP ("Holdings") is the sole member of the Company, and manages the Company pursuant to the terms and conditions of our limited liability company agreement. Our board of directors is comprised of employees or representatives of our sponsor, AIP.

We and our consolidated subsidiaries, have entered into a management services agreement with AIP pursuant to which AIP provides management services to us and our subsidiaries. Pursuant to this agreement, we reimburse AIP for expenses it incurs in connection with providing such management services. The management services agreement does not provide for the payment of any management or other fee to AIP in exchange for the performance of management services. The management services agreement includes customary indemnification provisions in favor of AIP and its affiliates.

For the years ended January 1, 2021, and January 3, 2020, we recorded \$3.2 million and \$1.8 million of expenses related to these reimbursements to AIP, respectively. These expenses are recorded within operating expenses on the consolidated statements of operations.

Expenses not paid as of each period end have been accrued and included within accrued expenses and other caption on the consolidated balance sheets. As of January 1, 2021, and January 3, 2020 we have accrued \$0.1 million and \$0.5 million, respectively, related to these reimbursements to AIP.

Note 12. Segment Reporting

The following tables summarize key financial information by reportable segment for the periods presented as follows:

	Year End	Reportable Segments		
		Americas	International	Total Optimas
(in millions of \$)				
Net sales	2020	\$ 342.8	\$ 271.2	\$ 614.0
	2019	\$ 452.9	\$ 412.0	\$ 864.9
Gross profit	2020	\$ 76.8	\$ 58.2	\$ 135.0
	2019	\$ 87.9	\$ 84.6	\$ 172.5
Operating profit (loss)	2020	\$ (12.5)	\$ 1.1	\$ (11.4)
	2019	\$ (1.0)	\$ (28.8)	\$ (29.8)
Depreciation expense	2020	\$ 3.3	\$ 2.2	\$ 5.5
	2019	\$ 4.4	\$ 2.6	\$ 7.0
Capital expenditures	2020	\$ 4.2	\$ 3.0	\$ 7.2
	2019	\$ 3.4	\$ 1.6	\$ 5.0
Total assets	2020	\$ 181.9	\$ 167.1	\$ 349.0
	2019	\$ 203.0	\$ 239.8	\$ 442.8

Note 13. Selected Quarterly Financial Data (unaudited)

Quarterly Consolidated Statements of Operations
(in millions of dollars)
(Unaudited)

	For The Three Months Ended			
	April 3, 2020	July 3, 2020	October 2, 2020	January 1, 2021
Net sales	\$ 194.0	\$ 103.2	\$ 160.4	\$ 156.4
Cost of goods sold	150.7	78.5	126.1	123.7
Gross profit	43.3	24.7	34.3	32.7
Operating expenses	44.0	28.2	36.2	30.7
Amortization of intangible assets	0.3	0.2	0.1	0.2
Operating profit (loss) before loss on sale of subsidiaries	(1.0)	(3.7)	(2.0)	1.8
Loss (gain) on sale of subsidiaries	0.6	—	6.5	(0.6)
Operating profit (loss)	(1.6)	(3.7)	(8.5)	2.4
Interest expense	(5.1)	(6.2)	(5.8)	(5.3)
Gain on debt retirement	—	—	—	1.0
Unrealized foreign exchange gain (loss) on intercompany loans	(6.3)	(1.0)	(2.1)	0.1
Loss before income taxes	(13.0)	(10.9)	(16.4)	(1.8)
Income tax (expense) benefit	(0.2)	(0.9)	0.2	(1.7)
Net loss	\$ (13.2)	\$ (11.8)	\$ (16.2)	\$ (3.5)

	For The Three Months Ended			
	March 29, 2019	June 28, 2019	September 27, 2019	January 3, 2020
Net sales	\$ 238.3	\$ 222.4	\$ 204.3	\$ 199.9
Cost of goods sold	184.6	178.1	168.4	161.3
Gross profit	53.7	44.3	35.9	38.6
Operating expenses	43.3	40.5	40.6	46.7
Amortization of intangible assets	0.3	0.3	0.3	0.4
Operating profit (loss) before loss on sale of subsidiaries	10.1	3.5	(5.0)	(8.5)
Loss on sale of subsidiaries	—	—	—	29.9
Operating profit (loss)	10.1	3.5	(5.0)	(38.4)
Interest expense	(6.1)	(6.5)	(6.4)	(6.3)
Gain on debt retirement	—	—	0.1	11.9
Unrealized foreign exchange gain (loss) on intercompany loans	0.1	(1.6)	(2.8)	2.8
Income (loss) before income taxes	4.1	(4.6)	(14.1)	(30.0)
Income tax (expense) benefit	0.4	(0.6)	(0.2)	(2.6)
Net income (loss)	\$ 4.5	\$ (5.2)	\$ (14.3)	\$ (32.6)

Note 14. Subsequent Events

We performed an evaluation of subsequent events through March 10, 2021, the date these consolidated financial statements were available to be issued, and determined there were no recognized or unrecognized subsequent events that would require an adjustment to or additional disclosure in the consolidated financial statements subsequent to January 1, 2021.