**1. Branch information**

Black & Decker Asia Pacific Pte. Ltd. - Korea Branch (the “Branch”) was established on August 1, 1994 as a branch of Black & Decker Asia Pacific Pte. Ltd. (the “Home Office”) under the laws of the Republic of Korea to engage in the import and sale of power tool products manufactured by Stanley Black & Decker Group.

The Branch has no legal status or existence separate from the Home Office. The accompanying financial statements include the Branch’s transactions with its Home Office and related companies.

As at December 31, 2021, there is no balance in the Branch’s home office account. Details of transactions with the Home Office and related parties are presented in Note 9.

**2. Summary of significant accounting policies**

**Accounting Standards for Non-Public Entities in the Republic of Korea**

Effective for the fiscal period starting on or after January 1, 2011, the Branch has adopted Accounting Standards for Non-Public Entities in the Republic of Korea. There is no financial impact on the Branch’s financial statements and disclosure required to be made by the Branch.

**Basis of financial statement preparation**

The Branch maintains its official accounting records in Korean won and prepares financial statements in the Korean language in conformity with Accounting Standards for Non-Public Entities in the Republic of Korea (“Korean Accounting Standards”). Certain accounting principles applied by the Branch that conform with Korean Accounting Standards may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean Accounting Standards and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors’ report thereon, the Korean version, shall prevail.

The financial statements of the Branch have been prepared in accordance with Korean Accounting Standards, and the summary of significant accounting policies used for the preparation of the financial statements is as follows:

**Financial statement translation**

The accompanying 2021 financial statements are expressed in Korean won, and solely for the convenience of the reader, have been translated into United States dollars at the rate of \1,088.00 to US$1, the year-end exchange rate on December 31, 2021. Such translation should not be construed as a representation that the Korean won amounts can actually be converted into United States dollars at the exchange rate used for the purpose of such translation.

**Revenue recognition**

Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer, usually on delivery of the goods.

**Cash equivalents**

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

**Allowance for doubtful accounts**

The Branch provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

**Inventories**

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the FIFO method, and the specific identification method (for goods in-transit only). A perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.

**2. Summary of significant accounting policies (cont’d)**

When a decline in the value of inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales. When the circumstances that previously caused the inventories to be written down cease to exist or there is an increase in net realizable value, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value.

There is no loss on valuation recognized in cost of sales for current fiscal year while \61,085 (thousand) of loss on valuation is recognized for previous fiscal year. Reversal of valuation loss is \16,405 (thousand) for current fiscal year, resulting in a reduction in cost of sales.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

Acquisition costs include purchase cost, production cost and other expenditures that the Branch incurs to prepare the assets in a status consistent with the intention of the management.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which satisfy the criteria for recognition of the tangible assets are capitalized.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful lives of the assets as follows:

|  |  |
| --- | --- |
|  | Years |
| Furniture and fixtures | 3 to 7 |
| Vehicles | 3 |
| Leasehold improvement | 3 |

**Intangible assets**

Intangible assets of the Branch consist of software, which is stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 3 years.

**Impairment of assets**

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year. If, in a subsequent year, the recoverable amount exceeds the carrying amount because of an event occurring after the impairment was recognized, the previously recognized impairment loss is credited to the extent of carrying amount net of depreciation, had no impairment loss been recognized for the assets in prior years, except for available-for sale securities, for which reversal is limited to the extent of previously recognized impairment loss amount.

**Severance and retirement benefits**

The Branch operates a retirement plan, and in accordance with the Branch employees benefit policy, it establishes the provision for severance and retirement benefits for employees terminating their employment with at least one year of service based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date..

**Provisions**

Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

**2. Summary of significant accounting policies (cont’d)**

**Income taxes**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

In establishing the appropriate income tax valuation allowances, the Branch assesses the realizability of its net deferred tax assets, and based on all available evidence, both positive and negative, determines whether it is highly probable that the net deferred tax assets or a portion thereof will be realized.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carry forwards and tax credit carry forwards. The deferred tax amounts are presented as a net current asset or a liability and net non-current asset or liability.

**Foreign currency translation**

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the statement of financial position date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations. Non-monetary items that are re-measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions whereas those that are measured at fair value are translated using the exchange rate at the date when the fair value was determined.

**Derivative financial instruments**

Derivative financial instruments are presented as assets or liabilities valued principally at the fair value of the rights or obligations associated with the derivative contracts. The unrealized gain or loss from a derivative transaction with the purpose of hedging the exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitment is recognized in net income.

**3. Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in accordance with Korean Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

* 1. **Key source of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**3.1.1 Deferred tax assets**

Determining amounts of deferred income tax assets requires an estimation of both the timing and amounts of future taxable income. The carrying amount of deferred income tax assets is \1,645,272 (thousand) and \1,406,950 (thousand) as at December 31, 2021 and 2020, respectively.

**4. Property, plant and equipment**

Details of property, plant and equipment as at December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021

Accumulated

Cost depreciation Net book value

Furniture and fixtures \ {{ PPE111}} \ (54,370) \ 73,984

Vehicles 137,415 (14,400) 123,015

Leasehold improvement 221,705 (116,435) 105,270

\ 487,474 \ (185,205) \ 302,269

2020

Accumulated

Cost depreciation Net book value

Furniture and fixtures \ 176,219 \ (60,929) \ 115,290

Vehicles 177,371 (25,629) 151,742

Leasehold improvement 404,722 (197,746) 206,976

\ 758,312 \ (284,304) \ 474,008

Changes in the net book value of property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021

Jan.1 Additions Disposals Depreciation Dec. 31

Furniture and fixtures \ 115,290 \ 13,064 \ - \ (54,370) \ 73,984

Vehicles 151,742 - (14,327) (14,400) 123,015

Leasehold improvement 206,976 14,729 - (116,435) 105,270

\ 474,008 \ 27,793 \ (14,327) \ (185,205) \ 302,269

2020

Jan.1 Additions Disposals Depreciation Dec. 31

Furniture and fixtures \ 127,255 \ 52,560 \ (3,595) \ (60,929) \ 115,290

Vehicles 132,337 45,336 (302) (25,629) 151,742

Leasehold improvement 385,862 18,860 - (197,746 206,976

\ 645,454 \ 116,756 \ (3,897) \ (284,304) \ 474,008

**5. Commitments and contingencies**

As at December 31, 2021, the Branch has guarantees provided by a non-related party for the Branch’s obligations and indebtedness as follows (Korean won in thousands):

Guarantee provided by Description of guarantee Guarantee amount

Seoul Guarantee Insurance Co., Ltd. Local L/C \ 265,000

**6. Provisions**

Changes in the carrying amount of provisions for the year ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021

Reversal

Jan.1 Provision /Utilization Dec. 31

Sales returns \ 81,345 \ - \ - \ 81,345

Product Warranty 928,104 3,297,986 (2,856,568) 1,369,522

\ 1,009,449 \ 3,297,986 \ (2,856,568) \ 1,450,867

2020

Reversal

Jan.1 Provision /Utilization Dec. 31

Sales returns \ 106,629 \ 51,206 \ (76,490) \ 81,345

Product Warranty 742,570 1,122,989 (937,455) 928,104

\ 849,199 \ 1,174,195 \ (1,013,945) \ 1,009,449

**7. Severance and retirement benefits**

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021 2020

As at January 1 \ 2,267,076 \ 2,218,463

Provision during the year 644,442 309,826

Payments during the year (50,254) (261,213)

Account transfer, etc. 389,625 -

As at December 31 \ 3,250,889 \ 2,267,076

**8. Foreign currency denominated assets and liabilities**

Assets and liabilities denominated in foreign currency for the years ended December 31, 2021 and 2020 are as follows (Korean Won in thousands):

Currency Foreign currency Korean Won

Cash and cash equivalents USD 49,527,753 53,886,196

Trade receivables USD 37,037 40,296

Trade receivables GBP 4,698 6,965

Trade payables USD 13,923,988 15,149,299

Trade payables EUR 383,301 512,949

Trade payables GBP 12,314 18,254

**9. Related party disclosures**

Transactions with related parties for the years ended December 31, 2021 and 2020, and outstanding balances with related parties as at December 31, 2020 and 2020 are as follows (Korean won in thousands):

|  |  |  |  |
| --- | --- | --- | --- |
| Company name | Account | 2021 | 2020 |
| Stanley Black & Decker Inc | Sales | 43,746 | - |
| Trade accounts receivable | 41,761 | - |
| BLACK AND DECKER (U.S) INC. | Purchase | 5,792,380 | 6,974,283 |
| Trade accounts payable | 495,647 | 1,501,753 |
| THE STANLEY WORKS (LANGFANG) FASTENING SYSTEM CO., LTD. | Purchase | - | 3,175 |
| NIPPON POP RIVETS & FASTENERS LTD. | Sales | - | 28,615 |
| Other accounts receivable | - | 3,034 |
| Black and Decker Asia Pacific SDN BHD - Malaysia | Purchase of service | 343,844 | 205,648 |
| Other accounts payable | 210,470 | 56,206 |
| Black & Decker Limited BVBA - Belgium | Purchase | 1,625,697 | 917,306 |
| Trade accounts payable | 494,444 | 345,835 |
| BLACK AND DECKER LIMITED BVBA - Czech Republic | Purchase | 2,988,920 | 2,698,947 |
| Trade accounts payable | 21,329 | 838,620 |
| Black & Decker Suzhou Power Tool Co., LTD. | Purchase | 31,134 | 16,454 |
| Trade accounts payable | - | 2,325 |
| Black & Decker Macao Commercial Offshore Ltd. | Purchase | 57,107,818 | 54,860,690 |
| Trade accounts payable | 11,426,252 | 10,320,925 |
| Purchase of service | (25) | - |
| Other accounts receivable | - | 2,996 |
| THE STANLEY WORKS ISRAEL LTD. | Purchase | 3,145,124 | 2,684,278 |
| Trade accounts payable | 396,555 | 672,767 |
| STANLEY WORKS LIMITED - Thailand | Purchase | 236,264 | 246,265 |
| Trade accounts payable | 33,850 | 27,966 |
| Stanley Chiro International Ltd. | Purchase of service | 142,928 | 4,040,451 |
| Other accounts payable | 142,928 | 1,664,566 |
| Purchase | 181,145 | - |
| Trade accounts payable | 68,106 | - |
| Stanley Hydraulic Tools -USA | Purchase of service | 143,749 | - |
| Other accounts receivable | 9,617 | 97,893 |
| JIANGSU GUOQIANG TOOLS CO., LTD. | Purchase | 699,784 | 548,849 |
| Trade accounts payable | 155,603 | 41,019 |
| STANLEY BLACK&DECKER, INC. | Purchase of service | 42,993 | - |
| The Stanley Works (Shanghai) Management Co., Ltd. | Purchase of service | 2,225,457 | 22,950 |
| Other accounts payable | 2,061,848 | 22,950 |
| Purchase of service | 127,326 | - |
| Other accounts receivable | 446,850 | 429,586 |

**9. Related party disclosures (cont’d)**

|  |  |  |  |
| --- | --- | --- | --- |
| Company name | Account | 2021 | 2020 |
| BLACK AND DECKER LIMITED BVBA | Sales | 6,747 | - |
| Trade accounts receivable | 7,380 | - |
| Purchase | 115,604 | 189,857 |
| Trade accounts payable | 18,631 | 77,305 |
| THE STANLEY WORKS (ZHONGSHAN) TOOL CO. LTD | Purchase | - | 169,738 |
| Other accounts payable | 538 | - |
| Purchase of service | 538 | - |
| STANLEY WORKS WENDENG TOOLS CO., LTD. | Purchase | 35,007 | 17,510 |
| Trade accounts payable | 7,525 | 4,614 |
| BLACK & DECKER THAILAND LTD. | Sales | 943 | 195 |
| Purchase | 2,337 | - |
| Trade accounts payable | 1,621 | - |
| The Stanley Works (Shanghai) Co. | Purchase | 205,487 | 195,314 |
| Trade accounts payable | 38,255 | 25,802 |
| PT. Stanley Black & Decker - Indonesia | Sales | - | 306 |
| STANLEY WORKS ASIA PACIFIC PTE LTD - Singapore | Purchase | 1,000 | - |
| Other accounts receivable | - | 14,774 |
| Purchase of service | 221,865 | - |
| Other accounts payable | 165,922 | - |
| STANLEY BLACK & DECKER INDIA PVT LTD | Purchase | 357,619 | - |
| Trade accounts payable | 99,892 | - |
| HERRAMIENTAS STANLEY S.A. DE C.V. | Purchase | 295,056 | - |
| Trade accounts payable | 59,888 | - |
| Black & Decker Asia Pacific Pte Ltd | Sales | 137 | - |
| Trade accounts receivable | 131 | - |

**10. Income taxes**

For the year ended December 31, 2021, the Branch is subject to corporate income tax at a rate of 10% on taxable income up to \200,000 thousand, 20% on taxable income in excess of \200,000 thousand, 22% on taxable income in excess of \20,000,000 thousand and 25% on taxable income exceeding \300,000,000 thousand. Local income tax, equal to 10% of corporate income tax payable before offsetting tax credits and exemptions, is also imposed.

The major components of provision for income taxes for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021 2020

Current income taxes \ 10,352,510 \ 8,225,523

Change in deferred tax assets

arising from temporary differences 12,287 429,967

Income tax expense \ 10,364,797 \ 8,655,490

**10. Income taxes (cont’d)**

A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Branch is as follows (Korean won in thousands):

2021 2020

Income before income taxes \ 42,607,306 \ 35,917,810

Tax at the statutory income tax rate

of 23.12% (2020: 22.91%) 9,848,968 8,230,110

Adjustments:

Expenses not deductible for tax purposes 515,829 425,380

Income tax expense

at the effective income tax rate

of 24.33% (2020: 24.10%) \ 10,364,797 \ 8,655,490

Significant changes in cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2021 and 2020 are as follows (Korean won in thousands):

2021

Jan. 1 Changes Dec. 31

Deductible temporary differences:

Inventory valuation allowance 202,963 (16,405) 186,558

Depreciation 103,793 (57,622) 46,171

Accrued expenses 996,902 41,424 1,038,326

Provision for sales return 81,345 - 81,345

Provision for product warranty 928,104 441,418 1,369,522

Severance and retirement benefits 2,267,076 644,442 2,911,518

Allowance for doubtful accounts 84,211 (36,071) 48,140

Sales incentive 428,730 (428,730) -

Inventory 720,719 (720,719) -

Write-offs - 81,489 81,489

\ 5,813,843 \ (50,774) \ 5,763,069

Deferred taxes recognized:

Deferred tax assets 1,406,950 (12,287) 1,394,663

\ 1,406,950 \ (12,287) \ 1,394,663

2020

Jan. 1 Changes Dec. 31

Deductible temporary differences:

Inventory valuation allowance 202,098 865 202,963

Depreciation 88,759 15,034 103,793

Accrued expenses 907,077 89,825 996,902

Provision for sales return 106,629 (25,284) 81,345

Provision for product warranty 742,570 185,534 928,104

Severance and retirement benefits 2,218,463 48,613 2,267,076

Allowance for doubtful accounts 121,034 (36,823) 84,211

Sales incentive 2,455,174 (2,026,444) 428,730

Inventory 748,764 (28,045) 720,719

\ 7,590,568 \ (1,776,725) \ 5,813,843

Deferred taxes recognized:

Deferred tax assets 1,836,917 (429,967) 1,406,950

\ 1,836,917 \ (429,967) \ 1,406,950