

Ionix Systems Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 00592717



Ionix Systems Limited

Company Information

| | |
|----------------------------|---|
| Directors | C A Lampo R A Norwitt |
| Company secretary | L E D'Amico Abogado Nominees Limited |
| Registered number | 00592717 |
| Registered office | Prospect House Taylor Business Park Risley Warrington WA3 6HP |
| Independent auditor | BDO LLP 3 Hardman Street Manchester M3 3AT |
| Bankers | Barclays Bank PLC 1 Churchill Place London E14 5HP |

Ionix Systems Limited

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Ionix Systems Limited

Strategic Report For the Year Ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activities of the company are that of a specialist designer and manufacturer of wiring harness and woven systems, providing interconnection solutions for aerospace, defence, power generation and other high-performance engineering sectors.

Business review

The principal markets that the company operates within are the manufacture of high complexity, low to medium volume wiring harnesses for aerospace, defence and industrial applications. This year saw an increase in business activity with ever higher demands for our capabilities and skills as the ramp up for new aero engines continued. During 2019 we have built upon our previous investments in people and plant and equipment and this will continue for the coming years, so we are able to meet the demand and exploit new opportunities that are available.

During the year to 31st December 2019, the company has increased its sales volume within the Commercial Aerospace and Military markets by securing significant Long-Term Agreements (LTA) with one of our key customers, and some diversification of new customers. This has led to sales of £22.2m in 2019, compared to £20.1m during the same period in 2018, a 10% growth. The LTA has helped to enable the company to secure a very stable platform of business for next few years and underpins its ability to offer customers a sustainable business.

The company has experienced an increase in operating profitability in 2019 compared to 2018 of £0.3m (excluding dividend income) which is due to a continued emphasis on cost monitoring and our supplier development plans. Despite this, the current economic climate has seen the exposure to exchange rates cause the company's return on sales to decrease slightly from 17.7% in 2018 to 17.6% in 2019. However, the increased focus on operating as a lean manufacturer has meant that gross profit margins have increased from 21.4% in 2018 to 23.5% in 2019.

During the year we continued to protect the continuity of supply to customers by buying raw materials well ahead against a background of lengthening lead times and spiky demand forecasts. In addition, with increased business activity and sometimes erratic demand signals, this has helped us to ensure that we are able to meet customer's sales demand and to help support our customer with their own, sometimes rapidly changing schedules.

The Board would also like to thank the skilled Ionix employees who have been dedicated through the year in supporting the company and its customers. Despite some of the challenges that we are seeing in the short-term, due to the uncertainty surrounding Brexit and the impact of this on the FX rates, the fundamentals of the business remain strong, and well placed to ensure the future success of the company.

Ionix Systems Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Key Performance Indicators (KPIs)

The key financial KPIs are those documented in the business review above, and mainly focus on Return on Sales, Sales Growth and Overall Profitability Margins. In terms of Strategic KPIs we use a combination of internal and external focused measurements.

Our external measures are driven by our needs to exceed our customers' expectations are:

- On Time and In Full (OTIF) which measures delivery performances in terms of full quantity shipped and delivered on time. This is also measured by our key customers.
- Parts Per Million (PPM) which measures the rate of quality defect returns against our total products shipped.

Internally we have many sub KPI's displayed openly to all employees but the main one is Zero Defects project which is measuring our internal efficiency across many areas and ultimately is key to improving our profitability.

Future developments

Looking towards the future, the entry into 2020 is from a strong position, as the company is ready to take advantage of the multitude of exciting opportunities that it is beginning to see in the marketplace from the introduction of new engine prototypes. There are still a number of unknown circumstances surrounding Brexit and Covid-19 that the company will be faced with throughout the coming year and beyond. However, the company's culture of strong operating discipline and proactive cost reduction measures is expected to result in consistent profitability and cash flow improvements, and in particular will help to ensure that the company stays ahead of the competition. Therefore the company will continue to drive our diversification plans into new markets, Space, Navel and Marine markets.

Principal risks and uncertainties

Due to the nature of the products, brand reputation is a risk for the company. The directors seek to mitigate the risk to the reputation of the company's brands and maintain the brands' positioning relative to the competition by continuing to invest in quality control.

The company looks to ensure a diverse mix of customers and also negotiates contracts that are of a long-term nature, where possible, to support sustainable performance year on year.

The company uses various financial instruments. These include intragroup loans and various items such as debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risk arising from the company's financial instruments is credit risk. The directors do not deem liquidity to be a risk due to no external debt, having strong cash reserves and being part of a successful group.

Credit risk

The company's principal financial asset is trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Ionix Systems Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Going concern

The Directors have performed a comprehensive review of the Company's ability to continue as a going concern. This review involved the Directors running various scenarios to understand how the financial position of the Company may look and therefore put themselves in a position to be able to conclude on the going concern nature of the business.

The Directors consider the liquidity of the Company to be strong. As at 31 December 2019, the Company had immediately available cash reserves of £561k and £8,125k within the Amphenol group cash pooling facility. As at 30 September 2020, the balances were £476k and £9,448k respectively.

The Company does not have any external debt and therefore is subject to no financial covenants. In assessing their view of the likely future financial performance of the Company the Directors considered external market commentary, indicators as to how the markets may react moving forwards, trading patterns and discussions with customers. The key findings from these reports were used by the Directors in building their financial forecasts.

The Directors have prepared financial projections based on their best estimate of future trading conditions through to December 2021. This scenario showed continued liquidity throughout this period.

The Directors also prepared a severe downside set of financial projections which heavily sensitised the expected trading performance of the Company. The analysis shows that even in a stressed situation with 50% lower revenue lasting through 2021 the company would be able to flex its costs basis and balance sheet to maintain a positive free cash flow. The downside scenario was viewed by the Directors as highly unlikely and severe.

The Covid-19 pandemic did not result in a closure of any Ionix Systems locations to date, both in the UK and Estonia. This success has been achieved by numerous measures which have been implemented to protect the safety of the workforce.

To date, the lockdowns imposed by the Governments in both the UK and Estonia have allowed factories to keep a continuous operation, which is due to the quick reactions that the company has implemented to ensure social distancing and other government health & measures are adhered to.

Current trading is positive. Actual performance for the month of May was above the projected performance under both management best estimate case and also the downside scenario. June trading has also started positively and the Directors see no basis to suggest that the financial projections should be further sensitised based on current trading.

In conclusion, the stress testing and sensitivity analysis on both profitability and cash flow has indicated that it is appropriate for the Company to prepare the financial statements on a going concern basis.

This report was approved by the board on 17/11/2020 and signed on its behalf.

R A Norwitt
Director



Ionix Systems Limited

Directors' Report For the Year Ended 31 December 2019

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

Results and dividends

The profit for the year, after taxation, amounted to £3,269,000 (2018 - £4,279,000).

During the year, dividends of £Nil were received (2018 - £1.7m). During the year, no dividends were declared (2018 - £Nil).

Business Review

A review of the business and a summary of its principal risks and uncertainties is set out in the strategic report on pages 1 to 2 of these financial statements.

Directors

The directors who served during the year were:

C A Lampo
R A Norwitt

Employees

Within the bounds of confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the company and are of interest and concern to them as employees.

During the year, the company gave full and fair consideration to application for employment by disabled persons, having regard to their particular aptitudes and abilities and to appropriate vacancies. The company will continue to ensure that disabled employees are considered on the same basis as any other member of staff with regard to training, career development and promotion.

Going concern

The directors are aware of their duty to assess the ability of the company to continue as a going concern and in particular are sensitive to this requirement given the current uncertain economic outlook, particularly surrounding the UK economy with regards to Covid-19. Based on this the financial statements have been prepared on a going concern basis. Further details on the basis of preparation are given in note 2 to the financial statements.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

In March 2020, the World Health Organisation declared the Covid-19 outbreak a pandemic. As such the outbreak represents a non-adjusting subsequent event for the purposes of these financial statements.

Ionix Systems Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Auditor

The auditor, BDO LLP, who was appointed in the year, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17/11/2020 and signed on its behalf.



R A Norwitt
Director

Ionix Systems Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

The directors are responsible for preparing the strategic report, 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 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 period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Ionix Systems Limited

Independent Auditor's Report to the Members of Ionix Systems Limited

Opinion

We have audited the financial statements of Ionix Systems Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Ionix Systems Limited

Independent Auditor's Report to the Members of Ionix Systems Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Ionix Systems Limited

Independent Auditor's Report to the Members of Ionix Systems Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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.

BDO LLP

Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

17/11/2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ionix Systems Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

| | Note | 2019 £000 | 2018 £000 |
|---|------|--------------|--------------|
| Turnover | 4 | 22,153 | 20,136 |
| Cost of sales | | (17,016) | (15,820) |
| Gross profit | | 5,137 | 4,316 |
| Administrative expenses | | (1,242) | (748) |
| Operating profit | 5 | 3,895 | 3,568 |
| Dividend income received | 8 | - | 1,698 |
| Interest receivable and similar income | 9 | 71 | 42 |
| Interest payable and expenses | 10 | (1) | (4) |
| Profit before tax | | 3,965 | 5,304 |
| Tax on profit | 11 | (696) | (1,025) |
| Profit and total comprehensive income for the financial year | | 3,269 | 4,279 |

The above results relate to continuing operations.

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 13 to 28 form part of these financial statements.

Ionix Systems Limited

Registered number:00592717

Statement of Financial Position As at 31 December 2019

| | Note | 2019 £000 | 2019 £000 | 2018 £000 | 2018 £000 |
|--|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 123 | | 98 |
| Investments | 13 | | - | | - |
| | | | <u>123</u> | | <u>98</u> |
| Current assets | | | | | |
| Stocks | 14 | 3,465 | | 3,395 | |
| Debtors: amounts falling due within one year | 15 | 13,154 | | 10,011 | |
| Cash at bank and in hand | | 561 | | 726 | |
| | | <u>17,180</u> | | <u>14,132</u> | |
| Creditors: amounts falling due within one year | 16 | (3,495) | | (3,691) | |
| Net current assets | | | <u>13,685</u> | | <u>10,441</u> |
| Total assets less current liabilities | | | <u>13,808</u> | | <u>10,539</u> |
| Net assets | | | <u>13,808</u> | | <u>10,539</u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | - | | - | |
| Profit and loss account | 20 | 13,808 | | 10,539 | |
| Total equity | | | <u>13,808</u> | | <u>10,539</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

17/11/2020


R A Norwitt
Director

The notes on pages 13 to 28 form part of these financial statements.

Ionix Systems Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|--------------|
| | £000 | £000 | £000 |
| At 1 January 2019 | - | 10,539 | 10,539 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 3,269 | 3,269 |
| Total comprehensive income for the year | - | 3,269 | 3,269 |
| At 31 December 2019 | - | 13,808 | 13,808 |

Statement of Changes in Equity For the Year Ended 31 December 2018

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|--------------|
| | £000 | £000 | £000 |
| At 1 January 2018 | - | 6,260 | 6,260 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 4,279 | 4,279 |
| Total comprehensive income for the year | - | 4,279 | 4,279 |
| At 31 December 2018 | - | 10,539 | 10,539 |

The notes on pages 13 to 28 form part of these financial statements.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Ionix Systems Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

Ionix Systems Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemption has been taken in relation to presentation of a cash flow statement, financial instruments and key management personnel compensation.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ionix Aerospace Limited as at 31 December 2019 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Going concern

The Directors have performed a comprehensive review of the Company's ability to continue as a going concern. This review involved the Directors running various scenarios to understand how the financial position of the Company may look and therefore put themselves in a position to be able to conclude on the going concern nature of the business.

The Directors consider the liquidity of the Company to be strong. As at 31 December 2019, the Company had immediately available cash reserves of £561k and £8,125k within the Amphenol group cash pooling facility. As at 30 September 2020, the balances were £476k and £9,448k respectively.

The Company does not have any external debt and therefore is subject to no financial covenants. In assessing their view of the likely future financial performance of the Company the Directors considered external market commentary, indicators as to how the markets may react moving forwards, trading patterns and discussions with customers. The key findings from these reports were used by the Directors in building their financial forecasts.

The Directors have prepared financial projections based on their best estimate of future trading conditions through to December 2021. This scenario showed continued liquidity throughout this period.

The Directors also prepared a severe downside set of financial projections which heavily sensitised the expected trading performance of the Company. The analysis shows that even in a stressed situation with 50% lower revenue lasting through 2021 the company would be able to flex its costs basis and balance sheet to maintain a positive free cash flow. The downside scenario was viewed by the Directors as highly unlikely and severe.

The Covid-19 pandemic did not result in a closure of any Ionix Systems locations to date, both in the UK and Estonia. This success has been achieved by numerous measures which have been implemented to protect the safety of the workforce.

To date, the lockdowns imposed by the Governments in both the UK and Estonia have allowed factories to keep a continuous operation, which is due to the quick reactions that the company has implemented to ensure social distancing and other government health & measures are adhered to.

Current trading is positive. Actual performance for the month of May was above the projected performance under both management best estimate case and also the downside scenario. June trading has also started positively and the Directors see no basis to suggest that the financial projections should be further sensitised based on current trading.

In conclusion, the stress testing and sensitivity analysis on both profitability and cash flow has indicated that it is appropriate for the Company to prepare the financial statements on a going concern basis.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to customers. Turnover and profit before taxation are derived from the company's principal activity. Turnover is recognised when the risk and rewards of ownership have passed to the customer, primarily on receipt by the customer.

2.6 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.8 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.9 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.10 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|---------------------|-------------|
| Plant and machinery | - 3-5 years |
| Computer equipment | - 3-5 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.13 Stocks

Stocks and work in progress are calculated on an weighted average cost basis and are stated in the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. No element of profit is included in the valuation of work in progress.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.18 Financial Instruments

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors have made the following key judgements and estimates in preparing these financial statements:

- **Stock provisions**

In the course of normal trading activities management uses its judgement to establish the net realisable value of its stocks. Provisions are established based on advanced orders that have been received up to 3 years in advance. Any stock held that is not required for these orders will be provided for.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Turnover

The whole of the turnover is attributable to the company's principal activity.

| | 2019 £000 | 2018 £000 |
|-------------------|---------------|---------------|
| United Kingdom | 11,931 | 10,880 |
| Rest of Europe | 5,146 | 4,419 |
| Rest of the world | 5,076 | 4,837 |
| | 22,153 | 20,136 |

5. Operating profit

The operating profit is stated after charging:

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Depreciation of tangible fixed assets | 32 | 22 |
| Exchange differences | 115 | 21 |
| Other operating lease rentals | | |
| - land and buildings | 79 | 86 |
| - plant and machinery | - | 13 |
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | 23 | 25 |
| Cost of stock recognised as an expense | 12,405 | 11,637 |
| Non audit fees | 2 | - |

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

6. Employees

Staff costs were as follows:

| | 2019 £000 | 2018 £000 |
|-------------------------------------|--------------|--------------|
| Wages and salaries | 1,466 | 1,391 |
| Social security costs | 177 | 159 |
| Cost of defined contribution scheme | 61 | 51 |
| | <u>1,704</u> | <u>1,601</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2019 No. | 2018 No. |
|----------|-------------|-------------|
| Direct | 24 | 27 |
| Indirect | 35 | 30 |
| | <u>59</u> | <u>57</u> |

7. Directors' remuneration

In the current and prior year the directors were remunerated by a fellow group company and the costs were not recharged to this company, as such no transactions relating to the directors occurred.

8. Income from investments

| | 2019 £000 | 2018 £000 |
|-------------------------------------|--------------|--------------|
| Income from fixed asset investments | - | 1,698 |

9. Interest receivable

| | 2019 £000 | 2018 £000 |
|---------------------------|--------------|--------------|
| Group interest receivable | <u>71</u> | <u>42</u> |

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Interest payable and similar expenses

| | 2019 £000 | 2018 £000 |
|------------------------|--------------|--------------|
| Other interest payable | 1 | 4 |

11. Taxation

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Corporation tax | | |
| Current tax on profits for the year | 752 | 684 |
| Overseas withholding tax charge | - | 340 |
| Adjustments in respect of previous periods | (57) | - |
| Total current tax | 695 | 1,024 |
| Deferred tax | | |
| Adjustment in respect of previous periods | 1 | 1 |
| Total deferred tax | 1 | 1 |
| Taxation on profit on ordinary activities | 696 | 1,025 |

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 3,965 | 5,304 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%) | 753 | 1,008 |
| Effects of: | | |
| Adjustments to tax charge in respect of prior periods | (57) | - |
| Non-taxable income | - | (324) |
| Effects of changes in taxation rate | - | 1 |
| Effects of overseas withholding tax | - | 340 |
| Total tax charge for the year | 696 | 1,025 |

Factors that may affect future tax charges

At the reporting date reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) had been substantively enacted. The deferred tax asset at 31 December 2019 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

Under legislation substantively enacted on 17 March 2020, after the reporting date, the UK tax rate will remain at 19% from 1 April 2020 onwards. This will affect the calculation of future deferred tax charges.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Tangible fixed assets

| | Plant and machinery £000 | Computer equipment £000 | Total £000 |
|-----------------------|--------------------------------|-------------------------------|---------------|
| Cost | | | |
| At 1 January 2019 | 344 | 171 | 515 |
| Additions | 49 | 8 | 57 |
| At 31 December 2019 | 393 | 179 | 572 |
| Depreciation | | | |
| At 1 January 2019 | 284 | 133 | 417 |
| Charge for the year | 27 | 5 | 32 |
| At 31 December 2019 | 311 | 138 | 449 |
| Net book value | | | |
| At 31 December 2019 | 82 | 41 | 123 |
| At 31 December 2018 | 60 | 38 | 98 |

13. Fixed asset investments

| | Investments in subsidiary companies £000 |
|--|--|
| At 31 December 2018 and 31 December 2019 | - |

Subsidiary undertaking

The following is the only wholly owned subsidiary undertaking of the company:

| Name | Principal activity | Registered office |
|------------------|--------------------------------------|---|
| Ionix Systems OU | Manufacture "inert" wiring harnesses | Pikk Street 59b, Kuressare, 93815, Saare maakond, Estonia |

All ownership interests are in the ordinary share capital of the investee.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

14. Stocks

| | 2019 £000 | 2018 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | 2,428 | 1,339 |
| Work in progress (goods to be sold) | 683 | 1,467 |
| Finished goods and goods for resale | 354 | 589 |
| | <u>3,465</u> | <u>3,395</u> |

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

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Debtors: amounts falling due within one year

| | 2019 £000 | 2018 £000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 4,988 | 4,888 |
| Amounts owed by group undertakings | 8,130 | 5,051 |
| Prepayments and accrued income | 14 | 49 |
| Deferred taxation | 22 | 23 |
| | <u>13,154</u> | <u>10,011</u> |

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £7,421 (2018 - £59,196).

Intercompany balances arising from trading items are repayable to terms. There is no interest receivable on these unsecured balances. Intercompany balances arising from the cash pooling arrangement are unsecured, due on demand and accrue interest of LIBOR+0.3%.

16. Creditors: amounts falling due within one year

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Trade creditors | 2,031 | 2,325 |
| Amounts owed to group and related undertakings | 606 | 596 |
| Corporation tax | 288 | 354 |
| Other taxation and social security | 371 | 298 |
| Accruals and deferred income | 199 | 118 |
| | <u>3,495</u> | <u>3,691</u> |

Intercompany balances arising from trading items are repayable to terms. There is no interest payable on these unsecured balances.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

17. Deferred taxation

| | 2019 £000 | 2018 £000 |
|---------------------------------------|--------------|--------------|
| At beginning of year | 23 | 24 |
| Charged to profit or loss | - | (1) |
| Adjustments in respect of prior years | (1) | - |
| At end of year | 22 | 23 |

The deferred tax asset is made up as follows:

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Accelerated capital allowances | - | 22 |
| Short term timing differences = trading | - | 1 |
| Fixed asset timing differences | 22 | - |
| | 22 | 23 |

18. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £61,000 (2018 - £51,000). Contributions totalling £10,754 (2018 - £8,767) were payable to the fund at the reporting date and are included in creditors.

19. Share capital

| | 2019 £ | 2018 £ |
|---|------------|------------|
| Allotted, called up and fully paid | | |
| 10,000 A shares of £0.01 each | 100 | 100 |

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

20. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

21. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £000 | 2018 £000 |
|----------------------------|--------------|--------------|
| Plant and machinery | | |
| Within 1 year | 5 | 9 |
| Between 2-5 years | 13 | 6 |
| | <u>18</u> | <u>15</u> |
| | 2019 £000 | 2018 £000 |
| Land and buildings | | |
| Within 1 year | 91 | 66 |
| Between 2-5 years | 15 | 91 |
| | <u>106</u> | <u>157</u> |

22. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

23. Post balance sheet events

In March 2020, the World Health Organisation declared the Covid-19 outbreak a pandemic. As such the outbreak represents a non-adjusting event for the purposes of these financial statements.

Ionix Systems Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

24. Ultimate parent undertaking and controlling party

The smallest group for which financial statements are prepared is Ionix Aerospace Limited, a company incorporated in England and Wales. Consolidated financial statements can be obtained from Prospect House, Taylor Business Park, Risley, Warrington WA3 6HP.

The directors regard Amphenol Corporation Inc., a company incorporated in the USA, as the ultimate parent company and the ultimate controlling party.

Amphenol Corporation Inc. is the parent company of the largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from its registered address Amphenol Corporation Inc., 358 Hall Avenue, Wallingford, Connecticut, USA.