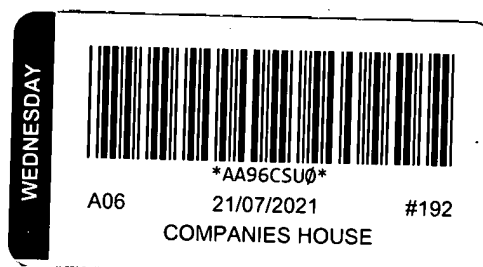


**INCAP ELECTRONICS UK LTD (FORMERLY AWS
ELECTRONICS LIMITED)**

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020**

Registered number: 03282255 (England and Wales)



INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

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FOR THE PERIOD ENDED 31 DECEMBER 2020

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INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

COMPANY INFORMATION

FOR THE PERIOD ENDED 31 DECEMBER 2020

| | |
|--|---|
| Directors | JK Maughan OR Pukk |
| Company secretary | A Pynnönen |
| Principal and Registered Office | Croft Road Industrial Estate Newcastle Staffordshire ST5 0TW |
| Company Registration Number | 03282255 (England and Wales) |
| Independent Auditor | RSM UK Audit LLP Suite A 7 th Floor East West Building 2 Tollhouse Hill Nottingham NG1 5FS |

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

The directors present the strategic report and financial statements for the 18-month period ended 31 December 2020.

Business review

Following the acquisition of the AWS group of companies by Incap Oyj in the period, the entity extended its reporting period to 31 December to align with its year end with its new ultimate parent.

As a result of this extended period turnover has increased over the prior 12 month period by £16.8m to £50.3m.

Gross profit increased by £2.0m (year ended 30 June 2019: £0.2 million) in the 18-month period ended 31 December 2020 driven by increased sales. Overall gross profit margin decreased due to higher costs and some operating inefficiencies as a result of Covid-19.

New business opportunities continue to present themselves and a number of new workload streams have been secured which the Company will benefit from in future years.

The current period's profitability along with the acquisition by Incap Oyj has allowed the Company to reduce the Company's external borrowing and increase its cash holding to £647,356 (30 June 2019: £110,391).

Covid-19

Due to the essential nature of the Company's operations the Company has been able to maintain operations throughout the pandemic, but has ensured appropriate safety measures are in place in order to protect its staff during this time. The pandemic did impact sales during the initial lockdown period and as a result the Company utilised the government furlough scheme during this time, however trade swiftly returned and the Company has been able to return to full operation, with a good customer order book in place.

Principal risks and uncertainties

- Our success is dependent on the success of our customers. The Company has a broad range of customers serving a wide range of market sectors. Our ability to maintain and grow the customer base is closely linked to the quality of the manufacturing service provided. The Group takes all reasonable steps to ensure quality standards are maintained.
- The Company trades in Sterling, Euros and US Dollars, and hence significant changes in exchange rates can impact the profitability of the business. Brexit has led to an increased volatility in exchange rates.

Key performance indicators

The Company considers a wide range of performance indicators continuously throughout each year, ranging from financial to operational.

Financially, cash driven profit, working capital management and efficient use of investable resources are key. Operationally the factory is measured upon a wide range of key performance statistics under the umbrella of industry leading requirements. The Company particularly looks to feedback from its customer base as key to having delivered successfully.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

Financial instruments

The Company's policy is to finance working capital through borrowings from its ultimate parent Incap Oyj which acts as the Group treasury function.

The Company seeks to mitigate foreign exchange exposure as far as it is reasonably able to do so through natural hedges.

The Company does not have significant concentrations of credit risk as exposure is spread over a number of counterparties and customers. Trade debtor balances and stock held to meet customer production requirements are monitored on an on-going basis with the aim of minimising the Company's exposure to bad debts and stock write-offs.

This report was approved by the board on 15 July 2021 and signed on its behalf by:



JK Maughan
Director

INCAP ELECTRONICS UK LTD (FOMERLY AWS ELECTRONICS LIMITED)

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the 18-month period ended 31 December 2020.

The Company has not disclosed the following sections of the directors' report "Future developments and financial instruments" as these have been included in the Strategic Report under S.414c (11).

Principal activities

The principal activity of the Company in the period under review was that of the provision of electronic manufacturing services (EMS) to a range of industries including complex products outsourced by the defence, aerospace, medical, scientific instruments, industrial controls, IT/communications and transport sectors.

Results and dividends

The profit for the 18-month period, after taxation, amounted to £2,251,429 (year ended 30 June 2019: £1,938,329).

A dividend of £nil (2019: £nil) was paid during the period. No final dividend is proposed (2019: £nil).

Directors

The directors who served during the 18-month period, and up to the date of signature of the financial statements, were as follows:

P Deehan (resigned 22 January 2020)
AS Keane (resigned 22 January 2020)
OR Pukk (appointed 22 January 2020)
JK Maughan (appointed 22 January 2020)

Third party indemnity provision for directors

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

Research and development activities

The Company undertakes product design and development activities when required for its customers. In such cases the intellectual property arising is generally the sole property of the customer. The Company does not undertake product design and development for its own purposes. It does, however, in the normal course of its business undertake the development and refinement of its manufacturing processes.

Strategic report

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report, in respect of a fair review of the business, future developments and its principal risks and uncertainties.

Auditors

RSM UK Audit LLP have indicated their willingness to be appointed for another term, and in accordance with section 485 of the Companies Act 2006, a resolution proposing that the be re-appointed will be put at a General Meeting.

Provision of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved have confirmed that:

- so far as that the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that directors have taken all the steps that ought to have been taken as directors in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

INCAP ELECTRONICS UK LTD (FOMERLY AWS ELECTRONICS LIMITED)

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

This report was approved by the board on *15 July* 2021 and signed on its behalf by:



JK Maughan
Director

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report, 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 period. 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;
- 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 MEMBERS OF INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

Opinion

We have audited the financial statements of Incap Electronics UK Ltd (formerly AWS Electronics Limited) (the 'Company') for the 18-month period ended 31 December 2020 which comprise the statement of comprehensive income, statement of financial position, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the period 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

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.

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. 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 the Directors' Report for the financial period 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 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

Neil Stephenson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

15 July 2021

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Note | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|--|------|--|--|
| TURNOVER | 3 | 50,319 | 33,509 |
| Cost of sales | | (43,361) | (28,561) |
| GROSS PROFIT | | 6,958 | 4,948 |
| Administrative expenses | | (4,290) | (2,555) |
| Other operating income | 7 | 142 | - |
| OPERATING PROFIT | | 2,810 | 2,393 |
| Interest payable and similar expenses | 6 | (218) | (279) |
| PROFIT BEFORE TAXATION | 7 | 2,592 | 2,114 |
| Taxation | 8 | (341) | (176) |
| PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 2,251 | 1,938 |

The notes on pages 12 to 26 form part of these financial statements.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)
REGISTERED NUMBER: 03282255

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| | | 31 December 2020 | | 30 June 2019 | |
|---|------|------------------|---------------|---------------|---------------|
| | Note | £'000 | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | | |
| Goodwill | 9 | | - | | 66 |
| Other intangible assets | 10 | | 52 | | 2 |
| Total intangible assets | | | 52 | | 68 |
| Tangible assets | 11 | | 217 | | 351 |
| | | | <u>269</u> | | <u>419</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 12 | 2,065 | | 2,310 | |
| Debtors | 13 | 17,388 | | 19,923 | |
| Cash at bank and in hand | | 647 | | 110 | |
| | | <u>20,100</u> | | <u>22,343</u> | |
| CURRENT LIABILITIES | | | | | |
| Creditors: amounts falling due within one year | 14 | (6,612) | | (11,208) | |
| NET CURRENT ASSETS | | | <u>13,488</u> | | <u>11,135</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>13,757</u> | | <u>11,554</u> |
| Creditors: amounts falling due after more than one year | 15 | | (102) | | (150) |
| NET ASSETS | | | <u>13,655</u> | | <u>11,404</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 17 | | 1,150 | | 1,150 |
| Profit and loss account | | | 12,505 | | 10,254 |
| TOTAL EQUITY | | | <u>13,655</u> | | <u>11,404</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 July 2021 by:



JK Maughan
Director

The notes on pages 12 to 26 form part of these financial statements.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Called up share capital £'000 | Profit and loss account £'000 | Total £'000 |
|--|--|-------------------------------------|----------------|
| Balance at 1 July 2018 | 1,150 | 8,316 | 9,466 |
| Profit for the year | - | 1,938 | 1,938 |
| Total comprehensive income for the year | - | 1,938 | 1,938 |
| Balance at 30 June 2019 | 1,150 | 10,254 | 11,404 |
| Profit for the 18-month period | - | 2,251 | 2,251 |
| Total comprehensive income for the period | - | 2,251 | 2,251 |
| Balance at 31 December 2020 | 1,150 | 12,505 | 13,655 |

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES

General information

Incap Electronics UK Ltd (formerly AWS Electronics Limited) (the "Company") is a private company limited by shares, and is registered, domiciled and incorporated in England. The Company changed its name from AWS Electronics Limited on 20 April 2020.

The address of the Company's registered office and principal place of business is included on page 1. The Company's principal activities and nature of operations are included in the directors' report.

Basis of accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006, and under the historical cost convention, modified to include certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

During the period the Company extended its reporting period to the 31 December resulting in these results being for an 18 month period. As a result of this change the results will not be directly comparable to the prior year which was for a 12 month period.

Reduced disclosures

The Company has taken advantage of the exemption from disclosing the following information, as permitted by the reduced disclosure regime within FRS 102:-

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches, and descriptions of hedging relationships;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Incap Oyj and are available from their registered office (see note 20).

Going concern

On 11 March 2020, the World Health Organisation declared the global coronavirus outbreak to be a pandemic. This has seen significant impact on the movement of goods and people worldwide, with the United Kingdom implementing lockdown measures on 23 March 2020. Despite this the Company has been able to maintain operations and profitability.

The directors have assessed the financial position of the Company. In assessing the going concern of the business they have considered the projected future trading and cash flows of the business. They have concluded that it is appropriate to present the financial statements on a going concern basis, as they consider that the Company will continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. In addition, the Company has obtained a letter of support from its ultimate parent only Incap Oyj should support be required.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the Company.

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the reporting date.

Exchange gains and losses are taken to profit or loss.

Turnover

Turnover comprises revenue recognised at fair value by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Income is recognised on dispatch of goods or provision of services to the customer.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the contributions payable by the Company to the fund in respect of the year.

Taxation

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

Current tax is based on taxable profit for the year. Taxable profit differs from total 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.

Current and deferred tax is charged or credited in profit or loss.

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 a net basis or to realise the asset and settle the liability simultaneously.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

Intangible fixed assets and amortisation

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is written off evenly over 20 years as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits.

Other intangible assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

| | |
|-----------------------------|-------------|
| Purchased computer software | - 3-4 years |
|-----------------------------|-------------|

Amortisation is revised prospectively for any significant change in useful life or residual value. On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | |
|---------------------|------------------------|
| Plant & machinery | - 25% straight line |
| Fixtures & fittings | - 25-33% straight line |
| Office equipment | - 25% straight line |

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were of the age and in the condition expected at the end of its useful life.

Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

Impairment of tangible and intangible assets (continued)

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.

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the risks and rewards of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals under operating leases are charged to profit or loss on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value on a weighted average basis after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

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, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, group and other debtors

Trade, group and other debtors which are receivable within one year are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments 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.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade, group and other creditors

Trade, group and other creditors payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Bank overdrafts

Bank overdrafts are presented within creditors: amounts falling due within one year.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Research and development

Research and development costs are expensed to profit or loss as incurred.

Government grants

Government grants including the furlough scheme (CJRS) 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.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

2 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The estimates and assumptions 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:

Stock provisions

The realisable value of stock is calculated using long established and well tested methodologies that take account of changes in market dynamics, expected obsolescence, shelf life and recoverable balances.

Debtor provisioning

The Company makes judgements as to its ability to collect outstanding trade debtors and provides allowances for the portion of trade debtors when collection becomes doubtful. Provisions are made on a review of all outstanding cash flows and the period of time which exceeds the invoice due date.

3. TURNOVER

The whole of the turnover is attributable to the one principal activity of the Company. A geographical analysis of turnover is as follows:

| | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|-------------------|--|-------------------------------------|
| UK | 34,086 | 20,951 |
| Rest of the World | 16,233 | 12,558 |
| | <u>50,319</u> | <u>33,509</u> |

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

4. EMPLOYEES

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

| | 31 December 2020 Number | 30 June 2019 Number |
|---------------------|-------------------------------|---------------------------|
| Direct operatives | 146 | 134 |
| Indirect operatives | 67 | 60 |
| | <u>213</u> | <u>194</u> |

Staff costs for the above persons:

| | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|-----------------------|--|-------------------------------------|
| Wages and salaries | 6,108 | 3,630 |
| Social security costs | 956 | 574 |
| Other pension costs | 239 | 109 |
| | <u>7,303</u> | <u>4,313</u> |

DIRECTORS REMUNERATION AND HIGHEST PAID DIRECTOR

The following costs were incurred in respect of the directors remuneration and also represent the highest paid director:

| | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|---|---|--|
| Remuneration | 277 | - |
| Company pension contributions to defined contribution pension schemes | 3 | - |
| | <u>280</u> | <u>-</u> |

During the period retirement benefits were accruing for one director (2019: nil) in respect of defined contribution pension schemes.

No costs were incurred in respect of the directors in the prior period as these are remunerated by fellow group companies.

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5. PENSION COMMITMENTS

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 £239,164 (2019: £108,725).

Contributions totalling £23,582 (2019: £23,118) were payable to the fund at the reporting date and are included in other creditors.

6. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|--|---|--|
| Interest and fees arising on: | | |
| Bank loans, overdrafts and invoice discount facility | 207 | 276 |
| Finance leases and hire purchase contracts | 11 | 3 |
| | <u>218</u> | <u>279</u> |

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7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

| | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|--|---|-------------------------------------|
| Research and development expenditure | 180 | 120 |
| Amortisation of intangible fixed assets: | | |
| - goodwill | 66 | 67 |
| - other intangibles | 5 | 2 |
| Depreciation of tangible fixed assets: | | |
| - owned by the Company | 71 | 49 |
| - held under finance leases | 95 | 18 |
| Operating lease rentals: | | |
| - other operating leases | 300 | 189 |
| Other operating income: | | |
| - Coronavirus Job Retention Scheme income | (142) | - |
| Exchange gains | (42) | (30) |
| Stock: | | |
| - impairment reversals recognised in cost of sales | - | (59) |
| Fees payable to RSM UK Audit LLP and associates: | | |
| - audit of the Company | 48 | 26 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

8. TAXATION

| | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|--|--|-------------------------------------|
| Current tax | | |
| UK corporation tax | 337 | 153 |
| Adjustments in respect of prior periods | - | (17) |
| Total current tax | 337 | 136 |
| Deferred tax | | |
| Origination and reversal of timing differences | 12 | 40 |
| Effect of tax rate charges | (8) | - |
| Total deferred tax (see note 16) | 4 | 40 |
| Total tax on profit | 341 | 176 |

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2019: lower) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

| | 18-month period ended 31 December 2020 £'000 | Year ended 30 June 2019 £'000 |
|--|--|-------------------------------------|
| Profit before tax | 2,593 | 2,114 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | 493 | 402 |
| Effects of: | | |
| Fixed asset timing differences | 15 | 5 |
| Expenses not deductible | 6 | 5 |
| Additional deduction for R&D expenditure | (33) | (30) |
| Adjustment to deferred tax rate | (8) | (5) |
| Group relief | (132) | (184) |
| Adjustments in respect of prior periods | - | (17) |
| Tax expense | 341 | 176 |

The standard rate of corporation tax in the United Kingdom for the period was 19% (2019: 19%). The Finance Act 2016 enacted a further reduction in the main rate of corporation tax to 17% with effect from 1 April 2020. However, the Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The 19% rate was substantively enacted on 17 March 2020 when the Budget Provisional Collection of Taxes Act resolution was passed. Deferred tax has therefore been provided at a rate of 19% (2019: 17%).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

9. INTANGIBLE FIXED ASSETS - GOODWILL

| | £'000 |
|-------------------------------------|--------------|
| Cost | |
| At 1 July 2019 and 31 December 2020 | <u>1,337</u> |
| Amortisation | |
| At 1 July 2019 | 1,271 |
| Amortisation charged in the period | <u>66</u> |
| At 31 December 2020 | <u>1,337</u> |
| Carrying amount | |
| At 31 December 2020 | <u>-</u> |
| At 30 June 2019 | <u>66</u> |

The amortisation charge for the period is recognised within administrative expenses.

10. OTHER INTANGIBLE ASSETS

| | Purchased computer software £'000 |
|------------------------------------|--|
| Cost | |
| At 1 July 2019 | 175 |
| Additions | <u>55</u> |
| At 31 December 2020 | <u>230</u> |
| Amortisation | |
| At 1 July 2019 | 173 |
| Amortisation charged in the period | <u>5</u> |
| At 31 December 2020 | <u>178</u> |
| Carrying amount | |
| At 31 December 2020 | <u>52</u> |
| At 30 June 2019 | <u>2</u> |

The amortisation charge for the 18-month period is recognised within administrative expenses.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

11. TANGIBLE FIXED ASSETS

| | Plant & machinery £'000 | Fixtures & fittings £'000 | Office equipment £'000 | Total £'000 |
|--------------------------|--|--|---------------------------------------|------------------------|
| Cost or valuation | | | | |
| At 1 July 2019 | 954 | 545 | 232 | 1,731 |
| Additions | 25 | 6 | - | 31 |
| At 31 December 2020 | <u>979</u> | <u>551</u> | <u>232</u> | <u>1,762</u> |
| Depreciation | | | | |
| At 1 July 2019 | 621 | 527 | 232 | 1,380 |
| Charge for the period | 154 | 11 | - | 165 |
| At 31 December 2020 | <u>775</u> | <u>538</u> | <u>232</u> | <u>1,545</u> |
| Carrying amount | | | | |
| At 31 December 2020 | <u>204</u> | <u>13</u> | <u>-</u> | <u>217</u> |
| At 30 June 2019 | <u>333</u> | <u>18</u> | <u>-</u> | <u>351</u> |

The net book value of assets held under finance leases or hire purchase contracts at the period end, included above, are as follows:

| | Cost 31 December 2020 £'000 | Net book value 31 December 2020 £'000 | Cost 30 June 2019 £'000 | Net book value 30 June 2019 £'000 |
|---------------------|--|--|--|--|
| Plant and machinery | <u>234</u> | <u>132</u> | <u>260</u> | <u>208</u> |

12. STOCKS

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|------------------|---------------------------------------|-----------------------------------|
| Raw materials | 1,075 | 1,421 |
| Work in progress | 990 | 889 |
| | <u>2,065</u> | <u>2,310</u> |

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

13. DEBTORS

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|---|------------------------------|--------------------------|
| <i>Amounts falling due within one year:</i> | | |
| Trade debtors | 4,406 | 5,586 |
| Amounts owed by group undertakings | 12,874 | 14,162 |
| Prepayments and accrued income | 47 | 110 |
| Deferred tax asset (see note 16) | 61 | 65 |
| | <u>17,388</u> | <u>19,923</u> |

Trade debtors is stated net of a provision of £10,877 (2019: £10,877).

14. CREDITORS: Amounts falling due within one year

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|--|------------------------------|--------------------------|
| Bank overdraft | - | 1,360 |
| Net obligations under finance leases and hire purchase contracts | 44 | 57 |
| Amounts due under invoice discounting facility | 100 | 2,988 |
| Trade creditors | 2,184 | 3,353 |
| Corporation tax | 165 | 120 |
| Amounts owed to group undertakings | 2,070 | 1,527 |
| Other taxation and social security | 679 | 564 |
| Other creditors | 327 | 348 |
| Accruals and deferred income | 1,043 | 891 |
| | <u>6,612</u> | <u>11,208</u> |

The bank overdraft of £nil (2019: £1,360,270) is secured by a legal mortgage over book debts, a first fixed and floating charge over all other assets, and a cross guarantee from the UK companies within the Incap UK Holdings Limited Group.

Amounts due under an invoice discounting arrangement are secured by a charge over trade debtors.

Finance leases and hire purchase contracts are secured over the assets to which they relate.

The amounts due to group undertakings are provided interest free and are repayable on demand.

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

15. CREDITORS: Amounts falling due after more than one year

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|--|------------------------------|--------------------------|
| Net obligations under finance leases and hire purchase contracts | <u>102</u> | <u>150</u> |

Obligations under finance leases and hire purchase contracts, included above, have minimum lease payments as follows:

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|----------------------------|------------------------------|--------------------------|
| Within one year | 51 | 59 |
| Between two and five years | <u>116</u> | <u>191</u> |
| Total instalments | <u>167</u> | <u>250</u> |
| Less interest | <u>(21)</u> | <u>(44)</u> |
| Net lease liability | <u>146</u> | <u>206</u> |

Finance leases and hire purchase contracts are secured over the assets to which they relate.

16. DEFERRED TAX ASSET

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|--------------------------|------------------------------|--------------------------|
| At beginning of period | 65 | 105 |
| Charge during the period | <u>(4)</u> | <u>(40)</u> |
| At end of the period | <u>61</u> | <u>65</u> |

The deferred tax asset is made up as follows:

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|--|------------------------------|--------------------------|
| Depreciation in excess of capital allowances | 40 | 46 |
| Short term timing differences | <u>21</u> | <u>19</u> |
| | <u>61</u> | <u>65</u> |

INCAP ELECTRONICS UK LTD (FORMERLY AWS ELECTRONICS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2020

17. SHARE CAPITAL AND RESERVES

| | 31 December 2020 £'000 | 30 June 2019 £'000 |
|--|------------------------------|-----------------------|
| Allotted, issued and fully paid | | |
| 1,150,000 Ordinary shares of £1 each | <u>1,150</u> | <u>1,150</u> |

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

RESERVES

Reserves of the Company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

18. OTHER FINANCIAL COMMITMENTS

The Company has guaranteed bank borrowings of other group companies within the Incap Holdings UK Ltd (formerly DEKE Holdings Limited) group at 31 December 2020 secured by a debenture over the assets of the Company. Potential liabilities under the arrangement as at 31 December 2020 amounted to £nil (2019: £1,825,000).

19. OPERATING LEASE COMMITMENTS

At 31 December 2020 the total future minimum lease payments under non-cancellable operating leases were as follows:

| | Land and buildings | |
|----------------------------|------------------------------|--------------------------|
| | 31 December 2020 £'000 | 30 June 2019 £'000 |
| Amounts due: | | |
| Within one year | 222 | 180 |
| Between one and five years | <u>506</u> | <u>685</u> |
| | <u>728</u> | <u>865</u> |

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors consider the ultimate parent undertaking to be Incap Oyj, a company incorporated in Finland, and is the largest and smallest company for which consolidated accounts including Incap Electronics UK Ltd (formerly AWS Electronics Limited) are prepared. The consolidated accounts of Incap Oyj are available from its registered office, Bulevardi 21, Entrance Albertinkatu 25A, 00180 Helsinki, Finland.

The immediate parent undertaking is Incap Electronics Group UK Limited (formerly AWS Electronics Group Limited).