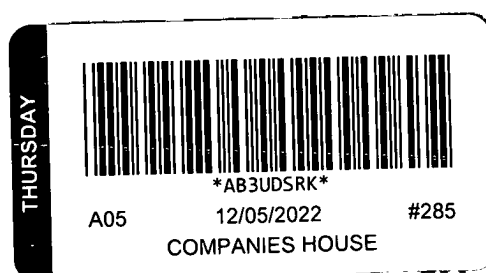


REGISTERED NUMBER: 03282255 (England and Wales)

INCAP ELECTRONICS UK LTD

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

RSM UK Audit LLP
Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB



INCAP ELECTRONICS UK LTD

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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INCAP ELECTRONICS UK LTD

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

DIRECTORS:

J K Maughan
O R Pukk

SECRETARY:

A Pynnönen

REGISTERED OFFICE:

Incap Holdings Uk
Croft Road Industrial Estate
Newcastle
ST5 0TW

REGISTERED NUMBER:

03282255 (England and Wales)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their strategic report for the year ended 31 December 2021.

REVIEW OF BUSINESS

The Company transitioned to FRS101 at 1 July 2019 and therefore prior year figures have been restated to reflect this fact.

During the period the Group underwent a restructure resulting in the ownership of the Company transferring from Incap Electronics Group UK Limited to Incap UK Holdings Limited. As part of this restructure the company undertook a capital reduction resulting in the reduction in share capital from £1,150,000 to £1. In order to facilitate the restructure the Company waived its debt held with Incap Electronics Group UK Limited resulting in a one-off charge in the year of £12,873,582. The waiver of this debt has resulted in a significant drop in the amounts owed by group in the year and net asset position of the company.

Turnover has reduced compared to the prior 18-month period by £33.66m to £17.58m. Gross profit reduced by £3.40m in the year ended 31 December 2021 driven by reduced sales due to COVID-19 and a global shortage of electronics components.

Overall gross profit decreased due to the above highlighted reduction in sales, resulting in lower output per staff member and material shortages leading to higher prices. 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 year's profits have helped the Company to again increase its cash holding to £731,834 (31 December 2020 £647,356).

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 continued to impact sales during the year resulting in the Company utilising the government furlough scheme, but to a lesser extent than the prior period.

PRINCIPAL RISKS AND UNCERTAINTIES

- Our success is dependent on the success of our customers and 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 site 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

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 and efficient use of investable resources are key. The Company's performance against these indicators are discussed in the 'review of the business' section above. 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. The company is satisfied with their performance against these operational indicators during the year with no concerns arising from the current year performance.

INCAP ELECTRONICS UK LTD

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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.

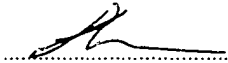
The Company seeks to mitigate foreign exchange exposure as far as it is reasonably able to do so through natural hedges.

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.

FUTURE DEVELOPMENTS

The Company's goal is to increase revenue and profitability for the UK site. Its sales, marketing and new business strategy sets out how this will be achieved, including plans for investment, accreditations and efficiencies in the use of resources.

ON BEHALF OF THE BOARD:



J K Maughan - Director

Date: 21/4/22

INCAP ELECTRONICS UK LTD

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

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 ACTIVITY

The principal activity of the company in the year under review was that of 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.

DIVIDENDS

The loss for the year after taxation, amounted to £12,291,210 (profit for the 18 month period ended 31 December 2020 £2,339,233 - post FRS101 transition / £2,251,429 pre FRS101 transition).

A dividend of £nil (2020: £nil) was paid during the year. No final dividend is proposed (2020: £nil).

DIRECTORS

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

O R Pukk

J K Maughan

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.

INCAP ELECTRONICS UK LTD

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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;
- 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.

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The 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.

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 they be re-appointed will be put at a General Meeting.

ON BEHALF OF THE BOARD:



J K Maughan - Director

Date: 21/4/22

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
INCAP ELECTRONICS UK LTD**

Opinion

We have audited the financial statements of Incap Electronics UK Ltd (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INCAP ELECTRONICS UK LTD

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
INCAP ELECTRONICS UK LTD**

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 101, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence, where applicable, with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact are those surrounding manufacturing and operational regulations. We performed audit procedures to inquire of management whether the company is in compliance with these relevant laws and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls, stock provisions and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. For the stock provision we challenged managements judgments and estimates applied in the valuation of stock provisions and considered subsequent events which might indicate an error in the closing stock provision position. Audit procedures performed over revenue included substantive analytical review and tests of detail.

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.

Christopher Phillips

Christopher Phillips (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB

Date: 21 April 2022

INCAP ELECTRONICS UK LTD

**PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**


	Notes	Continuing operations year ended 31.12.21 £	Exceptional item (see note 6) year ended 31.12.21 £	Total year ended 31.12.21 £	period 1.7.19 to 31.12.20 (Restated) £
TURNOVER	4	17,576,192	-	17,576,192	50,319,014
Cost of sales		(14,039,721)	-	(14,039,721)	(43,361,001)
GROSS PROFIT		3,536,471	-	3,536,471	6,958,013
Waiver of group debt	6	-	(12,873,582)	(12,873,582)	-
Administrative expenses		(3,084,755)	-	(3,084,755)	(4,483,768)
		451,716	(12,873,582)	(12,421,866)	(2,474,245)
Other operating income		225,345	-	225,345	350,695
OPERATING (LOSS)/PROFIT		677,061	(12,873,582)	(12,196,521)	2,824,940
Interest payable and similar expenses	7	(119,811)	-	(119,811)	(244,493)
(LOSS)/PROFIT BEFORE TAXATION	8	557,250	(12,873,582)	(12,316,332)	2,580,447
Tax on (loss)/profit	9	25,122	-	25,122	(341,214)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		582,372	(12,873,582)	(12,291,210)	2,239,233
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		582,372	(12,873,582)	(12,291,210)	2,239,233

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2021

		31.12.21	31.12.20 (Restated)
	Notes	£	£
FIXED ASSETS			
Owned			
Intangible assets	10	71,061	51,522
Tangible assets	11	166,073	217,192
Right-of-use			
Tangible assets	11, 17	<u>476,007</u>	<u>680,945</u>
		<u>713,141</u>	<u>949,659</u>
CURRENT ASSETS			
Stocks	12	3,214,505	2,064,597
Debtors: amounts falling due within one year	13	4,579,056	17,326,376
Cash at bank and in hand		<u>731,834</u>	<u>647,356</u>
		8,525,395	20,038,329
CREDITORS			
Amounts falling due within one year	14	<u>(5,400,242)</u>	<u>(6,814,184)</u>
NET CURRENT ASSETS		<u>3,125,153</u>	<u>13,224,145</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,838,294	14,173,804
CREDITORS			
Amounts falling due after more than one year	15	(2,541,910)	(591,874)
DEFERRED TAX ASSET	19	<u>55,639</u>	<u>61,303</u>
NET ASSETS		<u>1,352,023</u>	<u>13,643,233</u>
CAPITAL AND RESERVES			
Called up share capital	20	1	1,150,000
Retained earnings	21	<u>1,352,022</u>	<u>12,493,233</u>
SHAREHOLDERS' FUNDS		<u>1,352,023</u>	<u>13,643,233</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2022 and were signed on its behalf by:


J K Maughan - Director

The notes form part of these financial statements

INCAP ELECTRONICS UK LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 July 2019		1,150,000	10,254,000	11,404,000
Changes in equity				
Profit for the period		-	2,239,233	2,239,233
Total comprehensive income		-	2,239,233	2,239,233
Balance at 31 December 2020		1,150,000	12,493,233	13,643,233
Changes in equity				
Deficit for the year		-	(12,291,210)	(12,291,210)
Total comprehensive income		-	(12,291,210)	(12,291,210)
Reduction in share capital	20	(1,149,999)	1,149,999	-
Balance at 31 December 2021		1	1,352,022	1,352,023

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. STATUTORY INFORMATION

Incap Electronics UK Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

Incap Electronics UK Ltd provides 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.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements of Incap Electronics UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The date of transition to FRS 101 was 1 July 2019 and the end of the comparative period was 31 December 2020.

The nature of these changes and their impact on opening equity and profit for the comparative period are explained in pages 30 to 33 below.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the manufactured goods and services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

The company manufactures and sells a range of electronic products to meet customer specifications. Sales are recognised when control of the products have transferred, being when the products are delivered to the customer and/or when the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Turnover from these sales is recognised based on the price specified in the contract and is only recognised to the extent that it is highly probable that significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of 30 days net, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

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.

Intangible assets

Costs associated with purchased computer software are recognised as intangible assets.

Other purchased computer software that do not meet the criteria of IAS 16 are recognised as an expense as incurred. Purchased computer software costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Purchased computer software costs recognised as assets are amortised over their estimated useful lives, which do not exceed 3-4 years.

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Freehold property over the life of the lease
- Plant & machinery 25% straight line
- Fixtures & fittings 25-33% straight line
- Office equipment 25% straight line & over the life of the lease

The assets' residual values, if any, and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. ACCOUNTING POLICIES - continued

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses with the objective of collecting the contractual cash flows.

Trade and other creditors

Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Cost is calculated using the first-in, first-out formula.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.

2. ACCOUNTING POLICIES - continued

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on taxable or deductible temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

2. ACCOUNTING POLICIES - continued

Leases

The company has adopted IFRS 16 from 1 July 2019. It has resulted in the related leases being recognised on the balance sheet. Under the new standard, a right-of-use asset and a financial liability for future lease payments are recognised.

The company has restated comparative amounts for the period ended 31 December 2020. The company has elected to measure right-of-use assets at the present value of the lease liability on adoption.

Plant & machinery leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between repayment of the lease liability and finance cost. The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the company's incremental borrowing rate is used, which is the interest rate the company would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial present value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs.

The carrying amounts of the company's right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate. The company has no further payment obligations once the contributions have been paid.

Interest payable

Interest payable and similar charges include interest payable recognised in profit or loss using the effective interest method and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Going concern

In preparing the financial statements the directors have reviewed the adoption of the going concern assumption. In forming their view, the directors have considered future trading forecasts and projections for the company, the net assets of the company and the availability of funding from its parent companies.

After conducting these reviews, the directors believe it to be appropriate for the financial statements to be prepared on a going concern basis.

Government grants

Government grants in respect of COVID-19 job retention scheme were received as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the company with no future related costs, are recognised as income in the period in which the grant becomes receivable, using the accruals model.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The company makes estimates, judgements and assumptions concerning the future. The estimates, judgements 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 addressed below:

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Valuation of stock

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.

4. TURNOVER

The turnover and loss (2020 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
	£	£
United Kingdom	14,855,737	40,254,614
Europe	1,291,921	4,789,621
United States of America	1,202,892	2,729,998
Asia	225,642	2,544,781
	<u>17,576,192</u>	<u>50,319,014</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

5. EMPLOYEES AND DIRECTORS

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
	£	£
Wages and salaries	4,126,580	6,590,901
Social security costs	341,650	561,114
Other pension costs	109,939	173,769
	<u>4,578,169</u>	<u>7,325,784</u>

The average number of employees during the year was as follows:

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
Direct operatives	128	146
Indirect operatives	<u>65</u>	<u>67</u>
	<u>193</u>	<u>213</u>

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
	£	£
Directors' remuneration	139,200	277,000
Directors' pension contributions to money purchase schemes	<u>3,960</u>	<u>3,000</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
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No share options were received or exercised by the highest paid director during the year (2020: £nil).

INCAP ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

6. EXCEPTIONAL ITEMS

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
	£	£
Waiver of group debt	<u>(12,873,582)</u>	<u>-</u>

During the period the Group underwent a restructure resulting in the ownership of the Company transferring from Incap Electronics Group UK Limited to Incap UK Holdings Limited. As part of this restructure the company undertook a capital reduction resulting in the reduction in share capital from £1,150,000 to £1.

In order to facilitate the restructure the Company waived its debt held with Incap Electronics Group UK Limited resulting in a one-off charge in the year of £12,873,582. The waiver of this debt has resulted in a significant drop in the amounts owed by group in the year and net asset position of the company.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
	£	£
Bank interest	-	31,968
Bank loan interest	85,681	10,172
CID interest charge	7,668	164,143
Hire purchase	6,435	11,257
Other lease liability interest	<u>20,027</u>	<u>26,953</u>
	<u>119,811</u>	<u>244,493</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

8. (LOSS)/PROFIT BEFORE TAXATION

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

	Year ended 31 December 2021 £	18-month period ended 31 December 2020 £
Research and development expenditure	180,201	180,000
Amortisation of intangible fixed assets:		
- Goodwill	-	66,207
- Other intangibles	26,135	5,497
Depreciation of tangible fixed assets:		
- Owned by the company	63,970	165,602
- Held under leases	251,652	207,120
Cost of stock recognised as an expense	12,414,701	38,364,760
Other operating income:		
- Coronavirus Job retention Scheme income	(116,218)	(141,793)
- Management recharge	(109,127)	(208,902)
Exchange (gains)/losses	46,368	(42,146)
Exceptional items - group debt waiver	12,873,582	-
Fees payable to RSM UK Audit LLP and associates:		
- Audit of the company	49,000	48,500
- Accounts preparation	-	2,800
- Taxation compliance & submission	-	7,000
- Other taxation advisory	-	4,500

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

9. TAXATION

Analysis of tax expense

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
	£	£
Current tax:		
Tax	91,020	337,214
Prior year tax adjustment	(121,806)	-
Total current tax	(30,786)	337,214
Deferred tax:		
Origination and reversal of temporary differences	5,664	4,000
Total tax expense in profit and loss	(25,122)	341,214

Factors affecting the tax expense

The tax assessed for the year is higher (2020 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	year ended 31.12.21	period 1.7.19 to 31.12.20 (Restated)
	£	£
(Loss)/profit before income tax	(12,316,332)	2,580,447
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(2,340,103)	490,285
Effects of:		
Depreciation in excess of capital allowances	35,734	15,001
Expenses not deductible for tax purposes	364	6,000
IFRS 16 adjustments	476	2,207
Deferred tax	5,664	(8,000)
Prior year tax adjustment	(121,806)	-
Group relief claimed	(29,766)	(132,486)
Research & development tax credit	(21,774)	(33,000)
Group debt waiver	2,445,981	-
Rounding	108	1,207
Tax expense	(25,122)	341,214

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

9. TAXATION - continued

The standard rate of corporation tax in the United Kingdom for the period was 19% (2020: 19%). The Finance Act 2020 enacted an increase in the main rate of corporation tax for non-ring fenced profits greater than £250,000 to 25% from 1 April 2022. Corporation tax and Deferred tax have been provided at a rate of 19% (2020: 19%).

10. INTANGIBLE FIXED ASSETS

	Goodwill £	Computer software £	Totals £
COST			
At 1 January 2021	1,337,000	230,533	1,567,533
Additions	-	45,674	45,674
Disposals	<u>1,337,000</u>	<u>-</u>	<u>1,337,000</u>
At 31 December 2021	<u>-</u>	<u>276,207</u>	<u>276,207</u>
AMORTISATION			
At 1 January 2021	1,337,000	179,011	1,516,011
Amortisation for year	-	26,135	26,135
Eliminated on disposal	<u>1,337,000</u>	<u>-</u>	<u>1,337,000</u>
At 31 December 2021	<u>-</u>	<u>205,146</u>	<u>205,146</u>
NET BOOK VALUE			
At 31 December 2021	<u>-</u>	<u>71,061</u>	<u>71,061</u>
At 31 December 2020	<u>-</u>	<u>51,522</u>	<u>51,522</u>

The software intangible assets include the company's Control Development and Easy Invoicing system, which was created by an external development firm for the company's specific requirements. The Control Development additions relate to software development to improve product processes. The assets are carried at £71,061 (2020: £51,522) and have an amortisation period of 4 years (2020: 4 years) on a straight line basis. There are no other individually material intangible assets.

Intangible assets amortisation is recorded in administrative expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

11. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2021	866,789	1,000,276	551,000	232,000	2,650,065
Additions	-	59,565	-	-	59,565
At 31 December 2021	866,789	1,059,841	551,000	232,000	2,709,630
DEPRECIATION					
At 1 January 2021	200,028	782,092	537,808	232,000	1,751,928
Charge for year	200,028	109,909	5,685	-	315,622
At 31 December 2021	400,056	892,001	543,493	232,000	2,067,550
NET BOOK VALUE					
At 31 December 2021	466,733	167,840	7,507	-	642,080
At 31 December 2020	666,761	218,184	13,192	-	898,137

Freehold property depreciation relates to depreciation on the right-of-use asset and is depreciated over the shorter of the lease term and expected useful life of the Freehold property.

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

	Cost 31 December 2021 £	Net book value 31 December 2021 £	Cost 31 December 2020 £	Net book value 31 December 2020 £
Plant and machinery	206,919	75,863	234,000	132,000

12. STOCKS

	31.12.21 £	31.12.20 (Restated) £
Stocks	1,750,312	1,074,597
Raw materials	1,464,193	990,000
	3,214,505	2,064,597

There is no significant difference between the replacement cost of raw materials and finished goods and their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.21	31.12.20 (Restated)
	£	£
Trade debtors	3,809,174	4,406,364
Amounts owed by group undertakings	662,326	12,873,580
Prepayments	107,556	46,432
	<u>4,579,056</u>	<u>17,326,376</u>

Trade debtors are stated after provisions for impairment of £18,862 (2020: £10,877).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.21	31.12.20 (Restated)
	£	£
Leases (see note 16)	250,754	247,260
Trade creditors	2,859,396	2,183,848
Amounts owed to group undertakings	870,852	2,070,464
Corporation tax	61,497	165,198
Social security and other taxes	238,459	678,867
Other creditors	293,914	325,915
Amounts due under invoice discounting facility	-	99,632
Accruals and deferred income	<u>825,370</u>	<u>1,043,000</u>
	<u>5,400,242</u>	<u>6,814,184</u>

Amounts owed to group undertakings are amounts owed to the ultimate parent which are unsecured, provided with a reference interest rate of the 6 month euribor interest rate at the draw down day, with a margin of 3.09 percentage points per annum and are repayable quarterly.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.21	31.12.20 (Restated)
	£	£
Leases (see note 16)	341,120	591,874
Amounts owed to group undertakings	<u>2,200,790</u>	<u>-</u>
	<u>2,541,910</u>	<u>591,874</u>

Amounts owed to group undertakings are amounts owed to the ultimate parent which are unsecured, provided with a reference interest rate of the 6 month euribor interest rate at the draw down day, with a margin of 3.09 percentage points per annum and are repayable quarterly.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

16. FINANCIAL LIABILITIES - BORROWINGS

	31.12.21	31.12.20 (Restated)
	£	£
Current:		
Leases (see note 17)	<u>250,754</u>	<u>247,260</u>
Non-current:		
Leases (see note 17)	<u>341,120</u>	<u>591,874</u>

Terms and debt repayment schedule

	1 year or less £	1-2 years £	2-5 years £	Totals £
Leases	<u>250,754</u>	<u>250,492</u>	<u>90,628</u>	<u>591,874</u>

17. LEASING

Right-of-use assets

Tangible fixed assets

	31.12.21	31.12.20 (Restated)
	£	£
COST		
At 1 January 2021	888,065	-
IFRS 16 transition	<u>-</u>	<u>888,065</u>
	<u>888,065</u>	<u>888,065</u>
DEPRECIATION		
At 1 January 2021	207,120	-
Charge for year	<u>204,938</u>	<u>207,120</u>
	<u>412,058</u>	<u>207,120</u>
NET BOOK VALUE	<u>476,007</u>	<u>680,945</u>

INCAP ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

21. RESERVES

	Retained earnings £
At 1 January 2021	12,493,233
Deficit for the year	(12,291,210)
Transfer of reserves from share capital	<u>1,149,999</u>
At 31 December 2021	<u>1,352,022</u>

Reserves

Reserves of the company represent the following:

Profit and loss account

Cumulative profit and loss net of distributions to owners.

22. PENSION COMMITMENTS

The company operates a defined contribution pension plan. 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 £109,939 (2020: £170,769).

Contributions totalling £21,985 (2020: £23,591) were payable to the fund at the reporting date and are included in other creditors.

23. ULTIMATE PARENT COMPANY

Incap Oyj (incorporated in Finland) is regarded by the directors as being the company's ultimate parent company.

The immediate parent undertaking is Incap Holdings UK Ltd.

The smallest group to consolidate these financial statements is Incap Oyj. Copies of the Incap Oyj financial statements can be obtained from the Company Secretary at Incap Oyj, Albertinkatu, 25A 00180, Helsinki, Finland.

The ultimate parent undertaking of Incap Holdings UK Ltd is Incap Oyj which is registered in Finland.

INCAP ELECTRONICS UK LTD

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

19. DEFERRED TAX ASSET

	31.12.21	31.12.20 (Restated)
	£	£
Deferred tax asset		
Depreciation in excess of capital allowances	(51,461)	(40,431)
Short term timing difference	<u>(4,178)</u>	<u>(20,872)</u>
	<u>(55,639)</u>	<u>(61,303)</u>
		Deferred tax
		£
Balance at 1 January 2021		(61,303)
Charge to Profit and loss during year		<u>5,664</u>
Balance at 31 December 2021		<u>(55,639)</u>

There are no unused tax losses or unused tax credits.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.21 £	31.12.20 £
1	Ordinary	£1	<u>1</u>	<u>1,150,000</u>

On 27 September 2021, the UK group completed a reconstruction of its share capital whereby the share capital of Incap Electronics UK Ltd was reduced to £1 and the remaining shares cancelled.

The company's ordinary share, which carries no right to fixed income, carries the right to one vote at general meetings of the company.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

17. LEASING - continued

Lease liabilities

Minimum lease payments fall due as follows:

	31.12.21	31.12.20 (Restated)
	£	£
Gross obligations repayable:		
Within one year	269,557	272,570
Between one and five years	355,514	625,071
	<u>625,071</u>	<u>897,641</u>
Finance charges repayable:		
Within one year	18,803	25,310
Between one and five years	<u>14,394</u>	<u>33,197</u>
	<u>33,197</u>	<u>58,507</u>
Net obligations repayable:		
Within one year	250,754	247,260
Between one and five years	<u>341,120</u>	<u>591,874</u>
	<u>591,874</u>	<u>839,134</u>

Leases included in note 16 have varying terms of repayment and interest rates as follows:

- Lease 1 - Repayable over a period of 12 months to December 2022. The interest rate on the lease is 3.50%.
- Lease 2 - Repayable over a period of 28 months to April 2024. The interest rate on the lease is 3.50%.
- Lease 3 - Repayable over a period of 29 months to May 2024. The interest rate on the lease is 14.10%.
- Lease 4 - Repayable over a period of 35 months to November 2024. The interest rate on the lease is 13.00%.

18. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.21	31.12.20 (Restated)
	£	£
Finance leases	75,477	131,614
Invoice discounting	-	<u>99,632</u>
	<u>75,477</u>	<u>231,246</u>

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

Finance lease contracts are secured over the assets to which they relate.