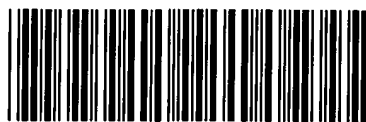


Company Registration No. 02101051 (England and Wales)

APPLIED KILOVOLTS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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APPLIED KILOVOLTS LIMITED

COMPANY INFORMATION

Directors	P M Evans J S Ray G P Teillon
Company number	02101051
Registered office	Woods Way Goring By Sea Worthing West Sussex BN12 4QY
Auditor	RSM UK Audit LLP Chartered Accountants 3rd Floor Portland 25 High Street Crawley West Sussex RH10 1BG
Bankers	J P Morgan Chase Bank N.A 25 Bank Street London E14 5JP
Solicitors	Shoosmiths LLP Forum 5 Parkway Whiteley Fareham Hampshire PO15 7PA

APPLIED KILOVOLTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The principal activity continues to be design, manufacture, and supply of application-specific high voltage power supplies for quadrupole and time-of-flight mass spectrometry in an expanding international market, which remains the key business focus. In 2021 we are partnering with a worldwide distributor that will enable our products to be readily available to all industries and consumers of all sizes. With the aim of identifying further opportunities outside of the mass spectrometry market.

Following the purchase of Applied Kilovolts by Adaptas in May 2020, the new parent company are focused on growing the business. This is a change from the L3Harris approach which was to focus on mitigating against any risk to the parent company. We have continued to focus on ensuring we are positioned to meet all growth opportunities both in the design and operational stages.

2020 showed stable demand throughout the first three quarters, but we did see operational disruption due to COVID-19. In quarter four we saw significant increased demand, which has continued into 2021. This resulted in a solid financial performance for the year, as evidenced in the financial report. We have taken price action with some customers and made increased capital investments, mostly to improve capability. The business retains strong customer relationships with our four blue chip accounts and have several new product implementation projects currently with these customers. The move to being part of the Adaptas group has strengthened the development of new customers for both legacy and new products.

Profit before tax for the period is £470,511 (3 January 2020 6 month period: £277,283) and sales totalled £8,255,824 (3 January 2020 6 month period: £3,921,285).

The global mass spectrometry industry has seen significant growth through 2021, partially driven by requirements created by the pandemic. The market continues to witness transformation towards high-resolution systems for qualitative analysis, driven by demands in life science, pharmaceutical, chemical, and petrochemical industries. A 5-year CAGR of up to 7.8% is forecast in the global mass spectrometry market and is expected to continue to be roughly equally split among North America, Europe, and Asia markets.

Principal risks and uncertainties

The business operates in a highly competitive market which is a continuing risk to the company. The risk is managed by providing high value offerings and services to its customers closely aligned to their specific needs and expectations and ensuring key customers sign up to long term contracts and development commitments for Applied Kilovolts products.

The company sources products primarily from within the UK to enable proactive management of supply, where overseas suppliers are selected, they are limited to medium to large size business with strong financial performance and stability. This methodology has been followed throughout 2020 whilst moving approximately 20% of our material spend from GBP to USD, with the aim securing supply through a robust supply chain and reducing currency risk by netting off a larger proportion of USD receipts.

Competitive Risk

Most of our contracts are obtained through a competitive bidding process. The successful award of these contracts is uncertain. To continue to operate successfully the company relies on a diverse portfolio of specialist products and capabilities which enables us to support our prime contractors and commercial customers. The company continues to invest in capital equipment, research and development and focussed training to maintain product and program capabilities.

Legislative Risk

As a supplier to an international market, compliance with local market regulations and product safety requirements are carefully evaluated. Failure to comply with such requirements may impact on the performance of the company. The company carries out contractual compliance reviews and regular audits to ensure ongoing compliance.

APPLIED KILOVOLTS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

The effect of Brexit was less than expected. We have seen minor shipping issues (mostly into Germany due to German customs) and some increased costs of purchases. We haven't seen any loss of customers or bidding opportunities due to Brexit implications.

Technical Skill Risk

Competition for technical resources, as well as inflationary wage pressures, are an accepted part of the business landscape in our industry and in the Sussex business environment in general. We have experienced no loss of engineering talent in FY20 and have the required skills within the business. Recruitment to meet rapid increase in demand has been a challenge and de-skilling of some roles has been required to ensure we can meet customer demand.

Key performance indicators

The board and management monitor the progress of a number of financial and non-financial KPI's. The key financial KPI's were as follows:

	31 December 2020 (12 months)	3 January 2020 (6 months)
Turnover	£8.1m	£3.9m
Turnover growth (annualised)	5.3%	(5.6%)
Gross profit margin	45.9%	50.4%

Coronavirus - COVID-19

Throughout 2020 we have learnt a lot about the way COVID-19 has affected the business and following our safety, Quality, Delivery, Cost mantra, COVID-19 has been treated as our priority due to the safety risk to all stakeholders. The business continues to manage and control this through our tiered meeting process and where necessary ad hoc activities. During 2020 we had no positive cases of COVID-19 across the business and supported all staff that were isolating/shielding during this period.

COVID-19 rules were put in place along with a risk assessment to control our day-to-day activities and our Health and Safety software system was used to ensure all staff feedback was considered and acted upon. During 2020 we were visited by the Health and Safety executive with no recommendations or observations recorded.

Our biggest challenge during COVID-19 has been satisfying increased demand from our customers, with a few key technical staff isolating/shielding. During this time the business has remained open and met its revenue and profit budget for the year.

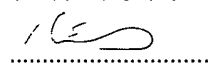
None of our customers have been closed and we have had no major supply chain issues.

Moving into 2021 the Directors of the company have assessed the impact of COVID-19 and are confident we now have the controls, experience, and skills to manage the pandemic moving forward. We have also completed a range of forecasts and "what if scenarios" to address any future potential impact of this pandemic through the review period and are in the process of revising our business continuity plan.

Corporate and social responsibility

Our business continues to hold our previous values — "Integrity, Respect, and Excellence", whilst we align to our new parent company. They guide us in making business decisions; governing our organisation; improving the environment and caring for our employees. We are committed to developing and maintaining strong safety and environmental management programs with auditable and actionable target improvements.

On behalf of the board



P M Evans

Director

Date: 17 December 2021

APPLIED KILOVOLTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of design, manufacture and supply of application-specific high voltage power supplies for quadruple and time-of-flight mass spectrometry in an expanding international market.

During the year the company changed its accounting reference date from 3 January to 31 December. Consequently, the current statement of comprehensive income represents the 12 month period to 31 December 2020 and the previous statement represented a six month period.

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £1,923,223. The directors do not recommend payment of a further dividend.

Directors

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

T B Campbell	(Resigned 15 May 2020)
S Cosgrove	(Resigned 15 May 2020)
P Faulds	(Resigned 15 May 2020)
P M Evans	(Appointed 15 May 2020)
J S Ray	(Appointed 15 May 2020)
G P Teillon	(Appointed 15 May 2020)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial instruments

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. These are minimised by robust contracting practices throughout the supply chain and customer base, tight credit controls and robust review policies.

Cash flow risk

The capital-intensive nature of electronics manufacturing business exposes Applied Kilovolts to risk of maintaining enough cash reserves to conduct ongoing operations including meeting payroll. We have mitigated that risk in FY20 through close cash flow management and ended FY20 with £897K. This is considerably lower than prior years due to the dividend paid out as above relating to the sale of the business in May 2020. We continue to exercise strict cash control policies and monitoring to mitigate any risk daily. Our strategy is to hold high value of finished goods of key products, as the number of key customers rise, the expectation is that we will hold increased finished goods levels, which will tie up additional cash reserves. Throughout the COVID-19 pandemic increased demand has led to reduced finished goods stock, it is not expected that these will be replenished until mid-2022. Short term this has decreased our working capital and improved our cash position. For 2022 we will fund the increased finished goods inventory by reducing raw material stocks.

APPLIED KILOVOLTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Exchange risk

Our customer base has largely remained the same however, our biggest customer has reduced from over 40% of our business to 35%, this has reduced the dependence on one key customer. USD sales are approx. 50%, so our currency risk associated with GBP/USD exchange has reduced since the prior year. Throughout 2020 work has been done to mitigate currency risk by purchasing more product in dollars leading to the percentage of USD purchases rising from 5% in 2019 to around 20-30% in 2020. This increases our netting ability of USD expenses against revenue received.

Credit risk

The principal financial assets are bank balances and trade receivables, but the company has limited credit exposure as 81% of revenue is spread over four blue chip customers. In addition, we use "Proforma Invoices" for new customers or historical poor payers. We have not had any bad debt in over six years.

Liquidity risk

Although our cash reserves have been reduced, we still consider that there is no significant liquidity risk to the company, and in the unlikely event of liquidity issues, assistance from the group would be provided.

Price/cost risk

The company is exposed to commodity price risk due to the purchase of various raw materials where supply costs are potentially volatile. This commodity price risk is mitigated by incorporating known cost increases into the items' selling prices, and wherever possible fixing supply contract prices for the duration of the requirement.

The increasingly competitive mass spectrometry market places pressure on our pricing ability as well, so revenue has that risk associated. We have agreements in place with our key customers and consider this risk mitigated for the next twelve months.

The growth forecasted in 2021 will offset some of the commodity price risks as volumes of purchases increase.

Post reporting date events

Following the end of the financial year ended on 03 January 2020, the world has been impacted by the COVID-19 virus pandemic and this has adversely affected the United Kingdom and the global economy in general.

The full effect of the pandemic is now better understood, the company has seen a 20% increase in demand throughout the last quarter of 2020 which continues into 2021. Now we are part of the Adaptas Solutions Group we have an improved understanding of the market, which comes from the wider range of products offered by the group and increased business development knowledge and resource. The current demand increase is driven by the fight against COVID-19, which is expected to remain at this level into 2022. Going forward this growth is expected to be sustainable as countries are starting to invest in research to identify the next potential pandemic and focus on improved detection and analysis solutions. On a day-to-day basis COVID-19 effects on the business are monitored through our existing tier meeting process, the scheduled meetings cover communication and business priorities from shopfloor staff to Director level and following our safety, quality, delivery cost mantra are seen as a property in all meetings. The Directors give further details of their consideration on the effects of COVID-19 and the ongoing operation of the business in the strategic report on page 2.

On 15 November 2021 IMI plc announced its intended acquisition of the Adaptas Solutions group. This is expected to complete before the end of December 2021, subject to customary merger filings.

APPLIED KILOVOLTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Future developments

Since the business has been purchased by the Adaptas Solutions group, we are now part of a business that is strategically aligned to our product portfolio. This puts us in an advantageous position to be able to provide a suite of complementary products into the mass spectrometry market and reach a greater volume of potential customers within the existing market. It also provides us with an enhanced business development resource driving growth through the whole group as one activity. The Directors believe that the company is well placed in the market and fully prepared to exploit the new opportunities that will be presented as well as the short-term growth driven by the global pandemic.

Auditor

RSM UK Audit LLP were appointed as auditor to the company during the year and arrangements have been put in place for them to be deemed to be reappointed as auditors in the absence of an Annual General Meeting.

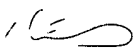
Strategic report

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. It has done so in respect of the business review and financial key performance indicators.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


.....

P M Evans
Director

Date: 17 December 2021.....

APPLIED KILOVOLTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 APPLIED KILOVOLTS LIMITED

Opinion

We have audited the financial statements of Applied Kilovolts Limited (the 'company') for the year ended 31 December 2020 which comprise statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APPLIED KILOVOLTS LIMITED (CONTINUED)

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.

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APPLIED KILOVOLTS LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and reperforming tax provision calculations.

The audit engagement team identified the risk of management override of controls as the area 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.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Geoff Wightwick BA FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor
Portland
25 High Street
Crawley
West Sussex, RH10 1BG
17 December 2021

APPLIED KILOVOLTS LIMITED

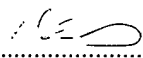
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020 £	Period ended 3 January 2020 £
	Notes		
Turnover	3	8,255,824	3,921,285
Cost of sales		(4,469,089)	(1,946,064)
Gross profit		3,786,735	1,975,221
Distribution costs		(41,218)	(37,827)
Administrative expenses		(3,296,522)	(1,660,184)
Other operating income		21,540	-
Operating profit	6	470,535	277,210
Interest receivable and similar income	7	-	73
Interest payable and similar expenses	8	(24)	-
Profit before taxation		470,511	277,283
Tax on profit	9	(64,869)	(62,685)
Profit for the financial year		405,642	214,598

APPLIED KILOVOLTS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	31 December 2020		3 January 2020	
		£	£	£	£
Fixed assets					
Tangible assets	11		110,463		99,250
Current assets					
Stocks	12	2,153,627		1,856,097	
Debtors	13	1,063,067		1,051,594	
Cash at bank and in hand		897,133		2,304,182	
		<u>4,113,827</u>		<u>5,211,873</u>	
Creditors: amounts falling due within one year	14	<u>(1,500,165)</u>		<u>(1,069,417)</u>	
Net current assets			<u>2,613,662</u>		<u>4,142,456</u>
Total assets less current liabilities			<u>2,724,125</u>		<u>4,241,706</u>
Capital and reserves					
Called up share capital	16		89,267		89,267
Profit and loss reserves	17		2,634,858		4,152,439
Total equity			<u>2,724,125</u>		<u>4,241,706</u>

The financial statements were approved by the board of directors and authorised for issue on 17 December 2021
and are signed on its behalf by:


.....
P M Evans
Director

APPLIED KILOVOLTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 29 June 2019		89,267	3,937,841	4,027,108
Period ended 3 January 2020:				
Profit and total comprehensive income for the period		-	214,598	214,598
Balance at 3 January 2020		89,267	4,152,439	4,241,706
Period ended 31 December 2020:				
Profit and total comprehensive income for the period		-	405,642	405,642
Dividends	10	-	(1,923,223)	(1,923,223)
Balance at 31 December 2020		89,267	2,634,858	2,724,125

APPLIED KILOVOLTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020		Period ended 3 January 2020	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	18		724,390		(191,909)
Interest paid			(24)		-
Income taxes paid			(147,248)		(89,559)
Net cash inflow/(outflow) from operating activities			577,118		(281,468)
Investing activities					
Purchase of tangible fixed assets		(60,944)		-	
Interest received		-		73	
Net cash (used in)/generated from investing activities			(60,944)		73
Financing activities					
Dividends paid		(1,923,223)		-	
Net cash used in financing activities			(1,923,223)		-
Net decrease in cash and cash equivalents			(1,407,049)		(281,395)
Cash and cash equivalents at beginning of year			2,304,182		2,585,577
Cash and cash equivalents at end of year			897,133		2,304,182

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Applied Kilovolts Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Woods Way, Goring By Sea, Worthing, West Sussex, BN12 4QY.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

Going concern

As at the statement of financial position date, the company had net assets of £2,724,125 (3 January 2020: £4,241,706) and has made a profit after tax in the period of £405,642 (3 January 2020: £214,598). In determining if the company is a going concern, the directors have prepared the forecasts for a period of twelve months from the date of approval of these financial statements, incorporating the consideration of the potential impact of COVID-19. The directors are monitoring the effects of COVID-19 closely and have considered a number of scenarios in their assessment, including supply and demand requirements as discussed in the strategic report on pages 1 and 2. The forecasts indicate that the company will continue as a going concern with the current cash resources available to it. On that basis, the directors have a reasonable expectation that the company will be able to meet its liabilities as they fall due and have prepared the financial statements on a going concern basis.

Reporting period

During the year the company changed its accounting reference date from 3 January to 31 December. The reporting date was changed to align the company's year end with the new ultimate parent. Consequently the current period statement of comprehensive income represents the 12 month period to 31 December 2020 and the previous statement represented a six month period. Therefore, the amounts presented in the financial statements, including related notes, are not entirely comparable.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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

Long-term leasehold property	Over the period of the lease
Plant and machinery	Straight line over 5 - 8 years
Computer equipment	Straight line over 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Cash and cash equivalents

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

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Derecognition of financial liabilities

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

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Equity instruments

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

Taxation

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

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

Current tax is based on taxable profit for the year. 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 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.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Retirement benefits

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

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Foreign exchange

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

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

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

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Valuation of stock and work in progress

In determining the value of stock the directors must make judgements to arrive at net realisable value. Determining the net realisable value of the wide range of products requires judgement to be applied to determine the likely saleability of the product and the potential price that can be achieved. In arriving at any provision for net realisable value, the directors take into account the age, condition and quality of the inventory lines and the recent trend in sales.

3 Turnover and other revenue

	31 December 2020 £	3 January 2020 £
Turnover analysed by class of business		
Manufacturing of electronic components	8,255,824	3,921,285

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue (Continued)

	31 December 2020 £	3 January 2020 £
Turnover analysed by geographical market		
United Kingdom	1,529,009	549,003
Rest of the World	6,726,815	3,372,282
	<u>8,255,824</u>	<u>3,921,285</u>

4 Employees

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

	31 December 2020 Number	3 January 2020 Number
Production	26	28
Administration	43	41
Total	<u>69</u>	<u>69</u>

Their aggregate remuneration comprised:

	31 December 2020 £	3 January 2020 £
Wages and salaries	2,596,389	1,117,442
Social security costs	204,821	106,393
Pension costs	122,536	60,696
	<u>2,923,746</u>	<u>1,284,531</u>

5 Directors' remuneration

	31 December 2020 £	3 January 2020 £
Remuneration for qualifying services	109,791	-
Company pension contributions to defined contribution schemes	4,798	-
	<u>114,589</u>	<u>-</u>

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6 Operating profit

	31 December 2020 £	3 January 2020 £
Operating profit for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	38,786	37,272
Research and development costs	98,490	69,000
Government grants	(9,008)	-
Fees payable to the company's auditor for the audit of the company's financial statements	25,000	21,060
Depreciation of owned tangible fixed assets	49,731	24,380
Loss on disposal of tangible fixed assets	-	105
Operating lease charges	100,262	43,135

Government grants of £9,008 (3 January 2020: £nil) represents grant income receivable in respect of the Coronavirus Job Retention Scheme in the UK.

7 Interest receivable and similar income

	31 December 2020 £	3 January 2020 £
Interest income		
Interest on bank deposits	-	73
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	-	73

8 Interest payable and similar expenses

	31 December 2020 £	3 January 2020 £
Interest on financial liabilities measured at amortised cost:		
Bank interest payable	24	-

9 Taxation

	31 December 2020 £	3 January 2020 £
Current tax		
UK corporation tax on profits for the current period	82,791	62,668
Adjustments in respect of prior periods	(17,922)	17
Total current tax	64,869	62,685

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	31 December 2020 £	3 January 2020 £
Profit before taxation	470,511	277,283
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (3 January 2020: 19.00%)	89,397	52,684
Tax effect of expenses that are not deductible in determining taxable profit	80	30
Adjustments in respect of prior years	(17,922)	17
Research and development tax credit	-	1,570
Fixed asset differences	(201)	357
Deferred tax not recognised	(5,654)	7,157
Changes in tax rates	-	870
Remeasurement of deferred tax for changes in tax rates	(831)	-
Taxation charge for the period	64,869	62,685

10 Dividends

	31 December 2020 Per share £	3 January 2020 Per share £	31 December 2020 Total £	3 January 2020 Total £
Ordinary shares				
Final paid	21.54	-	1,923,223	-

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Computer equipment £	Total £
Cost				
At 4 January 2020	441,933	285,885	173,905	901,723
Additions	-	17,383	43,561	60,944
At 31 December 2020	441,933	303,268	217,466	962,667
Depreciation and impairment				
At 4 January 2020	441,933	186,635	173,905	802,473
Depreciation charged in the year	-	46,757	2,974	49,731
At 31 December 2020	441,933	233,392	176,879	852,204
Carrying amount				
At 31 December 2020	-	69,876	40,587	110,463
At 3 January 2020	-	99,250	-	99,250

12 Stocks

	31 December 2020 £	3 January 2020 £
Raw materials and consumables	1,194,124	1,112,036
Work in progress	445,429	396,848
Finished goods and goods for resale	514,074	347,213
	<u>2,153,627</u>	<u>1,856,097</u>

The impairment loss recognised within cost of sales in the statement of comprehensive income for the period in respect of stock obsolescence was £230,239 (2020: £62,629).

There is no material difference between replacement cost of stocks and the amounts stated above.

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Debtors

	31 December 2020	3 January 2020
	£	£
Amounts falling due within one year:		
Trade debtors	860,420	736,805
Corporation tax recoverable	16,367	-
Amounts owed by group undertakings	9,246	-
Other debtors	139,718	251,589
Prepayments and accrued income	37,316	63,200
	<u>1,063,067</u>	<u>1,051,594</u>

14 Creditors: amounts falling due within one year

	31 December 2020	3 January 2020
	£	£
Trade creditors	909,970	614,313
Amounts owed to group undertakings	-	45,647
Corporation tax	-	66,012
Other taxation and social security	72,793	59,821
Other creditors	158,115	103,056
Accruals and deferred income	359,287	180,568
	<u>1,500,165</u>	<u>1,069,417</u>

15 Retirement benefit schemes

	31 December 2020	3 January 2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>122,536</u>	<u>60,696</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no amounts payable in respect of outstanding pension contributions at 31 December 2020 (3 January 2020: £nil).

16 Share capital

	31 December 2020	3 January 2020	31 December 2020	3 January 2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>89,267</u>	<u>89,267</u>	<u>89,267</u>	<u>89,267</u>

The ordinary shares have attached to them one full voting right, full dividend rights and capital distribution (including winding up) rights.

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

18 Cash generated from/(absorbed by) operations

	31 December 2020 £	3 January 2020 £
Profit for the year after tax	405,642	214,598
Adjustments for:		
Taxation charged	64,869	62,685
Finance costs	24	-
Investment income	-	(73)
Loss on disposal of tangible fixed assets	-	105
Depreciation and impairment of tangible fixed assets	49,731	24,380
Movements in working capital:		
Increase in stocks	(297,530)	(357,746)
Decrease/(increase) in debtors	4,894	(80,287)
Increase/(decrease) in creditors	496,760	(55,571)
Cash generated from/(absorbed by) operations	724,390	(191,909)

19 Analysis of changes in net funds

	4 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	2,304,182	(1,407,049)	897,133

20 Financial commitments, guarantees and contingent liabilities

On 21 May 2021 the company guaranteed the borrowings of its parent undertaking as part of the group banking arrangements. The borrowings subject to this guarantee amount to \$34m. This guarantee is secured by a fixed and floating charge over the assets of the company.

APPLIED KILOVOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2020 £	3 January 2020 £
Within one year	95,825	25,450
Between one and five years	314,758	97,407
	<u>410,583</u>	<u>122,857</u>

22 Ultimate controlling party

The immediate parent company is Adaptas Acquisition Co., a company registered in the United States of America.

The ultimate parent company is DeTech Holdings Inc., a company registered in the United States of America.