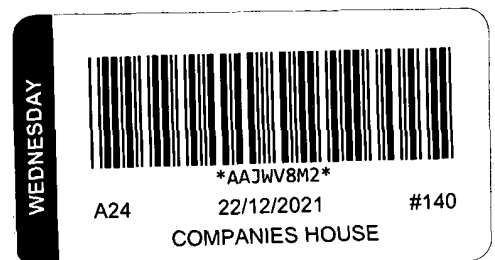


Swindon Silicon Systems Limited

Annual Report and Financial Statements

31 December 2020



Directors

J E Loraine

M G Freve (appointed 13th May 2021)

F E Devita (appointed 13th May 2021)

Auditor

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast

BT2 7DT

Bankers

Bank of America

2 King Edward Street

London

EC1A 1HQ

Registered Office

Interface House

Interface Business Park

Bincknoll Lane

Royal Wootton Bassett

Wiltshire SN4 8SY

United Kingdom

Strategic report

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

Principal activity and review of the business

The principal activity of the company during the year continued to be the design and supply of integrated circuits and the provision of design consultancy services.

The Company's ultimate parent undertaking is Sensata Technologies Holding plc.

Market overview

With the impact of COVID-19, 2020 production in the automotive sector was significantly decreased from the prior year. Demand in the global automotive market was down 18.5% and this was combined with the impact of OEM customers working down inventory.

A high level of automotive production in the fourth quarter resulted in customers using more inventory on hand to fill orders, negatively impacting fiscal year 2020 revenue. However, as customers restock inventory in 2021, the company expects to recover much of that decline.

The company expects global production of automotive vehicles to see a strong rebound in 2021, although not yet back to the level of 2019 production. This increasing trend in vehicle production is expected to continue beyond 2021 due to population growth and increased usage of cars in emerging markets.

Financial overview and key performance indicators

Sales during the year declined by 18%, from £60.3 million in 2019 to £49.6 million in 2020, largely due to end-market contraction caused by the COVID-19 pandemic. Gross Margin remaining consistent with prior year at 22%. Distribution costs of £0.6 million (2019 - £0.9 million) reflected the lower sales volumes and Administration costs of £3.4 million (2019 - £2.9 million) have increased with unfavourable exchange rate losses. The directors are satisfied with the results for the year and considered the company's financial position at the end of the year to have been satisfactory.

Research and development

Applied research and development work continues to be directed towards the introduction of new and improved products, and the application of new technology to reduce unit and operating costs and to improve service to customers.

Principal risks and uncertainties

Risk of increased competition from low-cost producers

Many of the company's end markets are highly competitive. If the company is unable to continue to provide better quality products or to match the prices of low-cost suppliers, there is a risk that customers will switch to those suppliers, causing a loss of market share and consequent reductions in sales and margins. The company responds to competitive pressures through lean initiatives and enhancing its sourcing strategies.

Strategic report (continued)

Principal risks and uncertainties (continued)

Foreign currency risk

The company enters into sales and purchases in the normal course of its business that are denominated in foreign currencies. The company does not use derivative financial instruments, instead relying on the company's parent to organise such transactions and manage any exposure to exchange rate movements on day-to-day business transactions denominated in foreign currencies.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company is exposed to credit risk principally in relation to its trade debtors, for which an appropriate allowance is made in arriving at the carrying value in the financial statements.

Debt service and interest rate risk

The company has no borrowings and is not exposed to debt service risk or significant interest rate risk.

Changes in environment.

The company is impacted by public health crisis such as the global COVID-19 pandemic. The COVID-19 outbreak has triggered significant economic and demand uncertainty. In addition, global government directives and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, closing of borders, stay at home directives and closing of entire plants, cities and countries, have impacted operations. In these challenging and dynamic circumstances, the Company is working to protect employees and the public, maintain business continuity and sustain operations, including ensuring the safety and protection of people who work in plants and distribution centres across the world, many of whom support the manufacturing and delivery of products deemed part of the critical infrastructure or essential businesses by the applicable local or country governments.

The UK's withdrawal from the EU ("Brexit") was completed on 31st January 2020. On December 24, 2020, the EU and the U.K. reached an agreement on their future trading relationship, the Trade and Cooperation Agreement. The company has not been, nor is anticipated to be, significantly impacted by the departure of the UK from the European Union.

Section 172(1) Statement

The following disclosures describe how the directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006.

Corporate Governance Guidelines

The company has no individual corporate governance requirements and relies on the overall Sensata Technologies Holding plc Corporate Governance Guidelines which are intended to promote effective and transparent functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions. These Corporate Governance Guidelines can be found on our website at www.sensata.com laws and regulations.

Key Stakeholders

Customers and Suppliers. Our long-term success is dependent on maintaining and growing a loyal customer base in order to drive the long-term growth of our business. Part of this effort is developing a supply chain that produces quality and cost-effective products that help us provide value to our customers. The key metrics that we believe are important to our customers include product performance in mission critical operating environments, quality, service, reliability, and/or commercial competitiveness. We strive to provide our customers with products that exceed their expectations and that are superior to our competitors with respect to each of these key metrics.

Employees. Our long-term success is dependent on hiring, training, rewarding, and keeping employees for the long-term. We believe that the key metrics that are important to our employees include wages and benefits, stock price of the overall Sensata Group, and employee turnover. We strive to retain employees by providing competitive pay and benefits packages and a challenging and rewarding work experience. We want our employees to feel connected to the business and what we are doing to add value to them, our customers, and our investors. Our ability to create an environment where ideas are shared freely is key to ensuring our employees reach their true potential, which grants us the ability to innovate. Each person brings unique value no matter their gender, race, age, education or place of birth.

Community and Environment. We understand our place in the community and the world, and we make decisions in ways that we believe are in the interests of each as well as our other stakeholders. We manufacture products that help make the work safer, cleaner and more energy efficient. During our history, we have been involved with outreach programs that support education, civic involvement and diversity. We believe our Company must play a substantial role in bettering the communities where we live and work and supporting the engineers of the future. Our company is committed to sustainable environmental initiatives and sound social and governance practices at all locations. We recognise the evolving nature of our impact on the climate, as many of our products are designed to improve energy efficiency and help the environment. Our work to minimize our own environmental impact continues to evolve. We understand the importance of engaging with stakeholders to help inform our strategy and Board decision making. Relevant stakeholder interests are taken into account by the Board when it makes decisions. Our principal decisions are those that are material and of strategic importance to us or our stakeholders. When making decisions, the Board considers the outcomes of relevant stakeholder engagement, as well as the need to maintain a reputation for high standards of business conduct, the need to act fairly between our stakeholders and the long-term consequences of its decisions. Any stakeholder who would like to communicate with, or otherwise make his or her concerns known directly to the Sensata Technologies Holding plc chair of any of the Audit, Governance or Compensation Committees, or to the independent directors as a group, may do so by addressing such communications or concerns to the Secretary of the Company who will forward such communications to the appropriate party as necessary and appropriate. Such communications may be made confidentially or anonymously.

It is important for Sensata to maintain a reputation for high standards of business conduct. To this end, we require our employees to follow applicable laws and regulations and to operate ethically. To this end, we have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, including our principal executive officer, principal finance officer, principal accounting officer, and controller, and persons performing similar functions. In addition, we have adopted a Code of Ethics for Senior Financial Employees.

Sensata understands that there are many different stakeholders of the Company. Their interests need to be carefully balanced and considered to ensure optimisation of each of their interests, which will ultimately optimise the interests of Sensata itself.

On behalf of the Board

J E Loraine
Director


Date: 20 Dec 2021

Registered No. 1378199

Directors' report

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

Results and Dividends

The profit for the year after taxation amounted to £6,018,000 (2019 – profit of £8,470,000). The directors paid an interim dividend of £nil (2019 – £nil).

Going Concern

The company's parent undertaking, Sensate Technologies Holding plc (the group), has confirmed that they will continue to provide financial support to the company in order to enable it to meet its liabilities as they fall due and to continue in operational existence for the foreseeable future.

As of 30 September 2021, the Group had \$2.0 billion cash and cash equivalents, approximately \$1.0 billion availability under Senior Secured Credit Facilities and \$416.1 million availability under the Revolving Credit Facility should the need for additional cash arise.

The Board of Directors have considered the Company's financial position and sources of liquidity of the Group as described above, and believe based on the current level of operations and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures, that the sources of liquidity described above will be sufficient to fund our operations, capital expenditures, ordinary share repurchases (when resumed), and debt service for at least the next twelve months.

Based on the foregoing assessment and with the letter of support in place, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements at the time of approving the financial statements, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Board agrees that the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

Directors

The directors who served the company during the year, and to the date of this report, were as follows:

J E Loraine
M G Freve
F E Devita

Disabled employees

The company gives sympathetic consideration to applications for vacancies from disabled persons when particular job requirements are considered to be within their capabilities. The company also endeavours to provide equal opportunity in the training, promotion and career development of disabled persons.

Employee involvement

The company recognises the value of comprehensive employment policies designed to identify employees with the achievements of the company and to determine ways in which their knowledge and skills can best contribute towards its success.

The company regularly consults with employees and continues to encourage employee involvement and to develop communication programmes. These programmes provide employees with information of concern to them as employees and information affecting the performance of the company.

Disclosure of information to the 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, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditor

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment Ernst & Young LLP as auditor of the Company.

Post balance sheet events

There have been no significant events affecting the company since the year end.

On behalf of the Board

J E Loraine
Director



Date

20 Dec 2021

Directors' Responsibilities Statement

The directors are responsible for preparing the annual 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, including FRS 101 'Reduced Disclosure Framework' (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 company 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWINDON SILICON SYSTEMS LIMITED

Opinion

We have audited the financial statements of Swindon Silicon Systems Limited for the year ended 31 December 2020 which comprise of the Profit & Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWINDON SILICON SYSTEMS LIMITED (CONTINUED)

Other information (continued)

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 there is 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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 7, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWINDON SILICON SYSTEMS LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

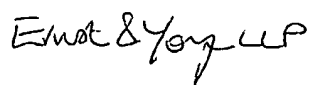
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2006 those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, relevant employee law matters, general data protection regulations and the UK Bribery Act.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated this by reviewing supporting documentation, including board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition to be a fraud risk. Our testing of revenue included agreeing specific transactions to supporting documentation and the receipt of payment in bank statements, and the testing of certain revenue journals.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. We read the minutes of Directors' meetings to identify any non-compliance with laws and regulations. We also made enquiries with the Directors and of management of the Company regarding compliance with laws and regulations.

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.



Michael Kidd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

20 December 2021

Registered No. 1378199

Profit and loss account

for the year ended 31 December 2020

	<i>Notes</i>	<i>2020</i> £000	<i>2019</i> £000
Turnover	2	49,576	60,323
Cost of sales		<u>(38,462)</u>	<u>(46,603)</u>
Gross profit		11,114	13,720
Distribution costs		(664)	(926)
Administrative expenses		<u>(3,410)</u>	<u>(2,845)</u>
Operating profit	3	7,040	9,949
Interest payable and similar charges		<u>(225)</u>	<u>(193)</u>
Profit on ordinary activities before taxation		6,815	9,756
Tax	7	<u>(797)</u>	<u>(1,286)</u>
Profit for the financial year		<u>6,018</u>	<u>8,470</u>

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2020

There is no comprehensive income or loss other than the profit attributable to the shareholders of the company of £6,018,000 in the year ended 31 December 2020 (2019 – profit of £8,470,000).

The notes on pages 14 to 28 form part of the financial statements.

Statement of changes in equity

for the year ended 31 December 2020

	<i>Share capital</i>	<i>Capital redemption reserve</i>	<i>Share option reserve</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£000	£000	£000	£000	£000
At 1 January 2019	–	–	115	9,575	9,690
Profit for the financial year	–	–	–	8,470	8,470
Share based payments (note 6)	–	–	83	–	83
Deferred tax on share based payments	–	–	3	–	3
At 31 December 2019	–	–	201	18,045	18,246
Profit for the financial year	–	–	–	6,018	6,018
Share based payments (note 6)	–	–	57	–	57
Deferred tax on share based payments	–	–	3	–	3
At 31 December 2020	–	–	261	24,063	24,324

Share capital includes the nominal value on issue of the Company's equity share capital, comprising £0.0000001 ordinary shares. The nominal value per share was reduced from £1 to £0.0000001 as part of a capital reduction in December 2018.

The share option reserve includes a contribution of equity from the company's ultimate parent, Sensata Technologies Holding plc, following the provision of equity settled share based payments in the year.

The profit and loss account represents the reserves earned by the Company in the period.

The notes on pages 14 to 27 form part of the financial statements.


Registered No. 1378199

Balance sheet

at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Tangible assets	8	3,785	4,955
Right of Use Assets	9	1,325	1,231
		<u>5,110</u>	<u>6,186</u>
Current assets			
Stocks	10	9,029	14,392
Debtors due within one year	11	19,198	2,384
Cash at bank and in hand		549	2,549
		<u>28,776</u>	<u>19,325</u>
Creditors: amounts falling due within one year	12	<u>(6,861)</u>	<u>(4,455)</u>
Net current assets		<u>21,915</u>	<u>14,870</u>
Total assets less current liabilities		27,025	21,056
Creditors: amounts falling due after more than one year	13	<u>(2,701)</u>	<u>(2,810)</u>
Net assets		<u>24,324</u>	<u>18,246</u>
Capital and reserves			
Called up share capital	14	–	–
Capital redemption reserve		–	–
Share option reserve		261	201
Profit and loss account		24,063	18,045
		<u>24,324</u>	<u>18,246</u>
Shareholders' funds		<u>24,324</u>	<u>18,246</u>

The financial statements of Swindon Silicon Systems Limited (registered number: 1378199) were approved for issue by the board of directors on 20th December 2021 and signed on its behalf by:


J E Loraine
Director

Date: 20 Dec 2021

The notes on pages 14 to 27 form part of the financial statements.

Notes to the financial statements

at 31 December 2020

1. Accounting Policies

Basis of preparation

Swindon Silicon Systems Limited is a private company limited by shares incorporated and domiciled in England. The financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and applied in accordance with the provisions of the Companies Act 2006. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out below.

The Company has taken advantage of the following disclosure exemptions under FRS 101 'Reduced Disclosure Framework':

- a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - ii. paragraph 118(e) of IAS 38 Intangible Assets;
- b) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- c) the requirements of IAS 7 Statement of Cash Flows;
- d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Depreciation

Estimation of useful lives of fixed assets

Judgement is used in assessing useful lives and residual values of property, plant and equipment and intangible assets. The assets are depreciated or amortised over their estimated useful lives to their residual values.

Notes to the financial statements

at 31 December 2020

1. Accounting policies (continued)

1.2 Significant accounting policies

New Accounting Standards Effective in the Current Year

All new accounting standards that were effective in the current year, or will be effective in future years, are either not applicable to Swindon Silicon Systems Limited or do not (or will not) have a material impact on our financial position or performance.

Going concern

The company's parent undertaking, Sensate Technologies Holding plc (the group), has confirmed that they will continue to provide financial support to the company in order to enable it to meet its liabilities as they fall due and to continue in operational existence for the foreseeable future.

As of 30 September 2021, the Group had \$2.0 billion cash and cash equivalents, approximately \$1.0 billion availability under Senior Secured Credit Facilities and \$416.1 million availability under the Revolving Credit Facility should the need for additional cash arise.

The Board of Directors have considered the Company's financial position and sources of liquidity of the Group as described above, and believe based on the current level of operations and taking into consideration the restrictions and covenants included in the Credit Agreement and Senior Notes Indentures, that the sources of liquidity described above will be sufficient to fund our operations, capital expenditures, ordinary share repurchases (when resumed), and debt service for at least the next twelve months.

Based on the foregoing assessment and with the letter of support in place, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements at the time of approving the financial statements, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Board agrees that the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover comprises sales in the ordinary course of business to customers for goods supplied and services provided, net of trade discounts, value added tax and other sales-related taxes. The sale is recognised only where there is persuasive evidence of a sales agreement, the delivery of goods has occurred, the sale price is fixed or determinable and the collectability of revenue is reasonably assured.

Stocks

Stocks are valued at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. Net realisable value is the estimated selling price less costs to complete and sell. Work in progress and finished goods held for resale include an appropriate proportion of overhead expenses.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Research and development

Expenditure on research and development is expensed in the period in which it is incurred.

Notes to the financial statements

at 31 December 2020

1. Accounting policies (continued)

1.2 Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Freehold land and assets under construction are not depreciated. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation of other tangible assets is provided on the straight-line basis over their anticipated useful lives as follows:

Plant and machinery - 3-10 years

Fixture and fittings - 5 years

Building refurbishments (included within fixtures and fittings) - 10-15 years

Motor vehicles - 4 years

Right-of-use asset - 11 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the profit and loss account in the period of de-recognition.

Financial instruments

i) Financial assets

Initial recognition and measurement

On January 1 2018, the Company adopted IFRS 9 which revises the accounting model used for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting.

As the Company's financial assets are amounts owed by group undertakings, the accounting treatment has not been materially impacted by the adoption of IFRS 9 and these assets continue to be recognized initially at fair value. The classification of a financial asset is made at the time it is initially recognized.

Subsequent measurement

The measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are subsequently measured at amortised cost using the effective interest method in accordance with IFRS 9.

Notes to the financial statements

at 31 December 2020

1. Accounting policies (continued)

1.2 Significant accounting policies (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired

Or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Initial recognition and measurement

The basic accounting model for financial liabilities under IFRS 9 has not changed from IAS 39. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transactions costs.

After initial recognition, interest bearing loans, borrowings and borrowing costs are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance costs.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Notes to the financial statements

at 31 December 2020

1. Accounting policies (continued)

1.2 Significant accounting policies (continued)

Financial instruments (continued)

Fair value of financial instruments

Fair value amounts disclosed in these financial statements represent the company's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the most advantageous active market for that instrument to which the company has immediate access. However, there is no active market for most of the company's financial instruments, so the company determines fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. These calculations represent management's best estimates based on a range of methods and assumptions. Since they are based on estimates, the fair values may not be realised in an actual sale or immediate settlement of the instruments.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction or, if hedged, at the exchange rate specified in the related foreign currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date or, if hedged, at the exchange rate specified in the related foreign currency contract.

Currency translation differences are recognised in the profit and loss account.

Notes to the financial statements

at 31 December 2020

1. Accounting policies (continued)

1.2 Significant accounting policies (continued)

Leases

The company occupies leased facilities with an initial term of 25 years. We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, in accordance with IFRS 16. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease liabilities received. Right-of-use assets are depreciated on a straight-line basis in the same manner as PP&E. The right-of-use assets are also subject to impairment.

Refer to Note 15, "Lease Liabilities", for additional information on the impact to our financial statements.

Pensions

The Company provides defined contribution pension benefits to its employees.

The cost of providing these benefits represents the company's contributions to the plan and is recognised in the profit and loss account in the year in which the contributions fall due.

Share based payments

The company provides equity settled share based payments in respect of restricted stock units (RSUs) in the ultimate parent company to certain employees and directors. RSU are valued using the closing price of the ultimate parent company's ordinary shares on the NYSE on the grant date. Certain of our restricted securities include performance conditions that require us to estimate the probable outcome of the performance condition. A share based charge cost is recorded if it is probable that the performance condition will be achieved, with a corresponding increase in equity. We recognise share based payments net of estimated forfeitures. Accordingly, we only recognise compensation cost for those awards expected to vest over the requisite service period. Compensation expense recognised for each award ultimately reflects the number of units that actually vest.

Significant New Accounting Standards Effective in Future Years

New accounting standards that are effective in future years are not applicable to Swindon Silicon Systems Ltd or are not expected to have a material impact on our financial position or performance.

Notes to the financial statements

at 31 December 2020

2. Turnover

The Company's activities consist of the design and manufacture of integrated circuits.

An analysis of turnover by geographical market is given below:

	2020	2019
	£000	£000
UK	21,982	28,682
US	–	6
Rest of Europe	2,113	3,109
Rest of the World	25,481	28,526
	<u>49,576</u>	<u>60,323</u>

3. Operating profit

This is stated after charging/(crediting):

	2020	2019
	£000	£000
Auditor's remuneration	20	20
Depreciation of tangible fixed assets	787	1,720
Lease expense: land and buildings – short-term lease cost	–	44
Lease expense: land and buildings – depreciation	257	30
Research and development expenditure written off	5,756	6,306
Net foreign currency exchange differences	1,052	159
Cost of stocks recognised as an expense (included in cost of sales)	31,489	33,885
Including: – write-down of stocks to net realisable value	961	395

4. Directors' remuneration

The information below relates solely to directors of the company.

	2020	2019
	£000	£000
Remuneration	145	166
Contributions to money purchase pension schemes	10	10
	<u>155</u>	<u>176</u>
	2020	2019
	£000	£000
Highest paid directors' remuneration:		
Remuneration	145	166
Contributions to money purchase pension schemes	10	10
	<u>155</u>	<u>176</u>

Notes to the financial statements

at 31 December 2020

5. Staff costs

	2020	2019
	£000	£000
Wages and salaries	5,396	7,286
Social security costs	642	820
Defined contribution pension plan	336	405
	<u>6,374</u>	<u>8,511</u>

Included in accruals are pension contributions not yet paid of £39,646 (2019 - £46,391).

The average monthly number of employees (including directors) during the year was made up as follows:

	No.	No.
Production	83	116
Sales and distribution	3	3
Administration	2	2
	<u>88</u>	<u>121</u>

6. Share based payments

In April 2020, the company made share equity payments in respect of restricted stock units (RSU) to certain employees and directors. Each unit represented the right to receive one ordinary share in the company's ultimate parent company, Sensata Technologies Holding plc. The vesting of the RSUs were subject to the fulfilment of various performance conditions.

	Number of options	Weighted average exercise price per option (\$)	Share option reserve value (£000)
Balance as at 31 st December 2019	7,652	45.28	198
Granted in period	5,938	28.39	75
Exercised in period	(1,683)	56.94	(18)
Balance as at 31 st December 2020	<u>11,907</u>		<u>255</u>
Options vested as at 31 st December 2020	<u>3,467</u>		
Options expected to vest as at 31 st December 2020	<u>8,440</u>		

Performance RSU awards vest three years after the grant date.

There is a deferred tax amount of £6,000 which has been accounted through equity. This amount is excluded within the above reconciliation.

Notes to the financial statements

at 31 December 2020

7. Tax

(a) Tax on profit

The tax charge is made up as follows:

	2020	2019
	£000	£000
Current tax:		
UK corporation tax on the profit for the year	829	1,369
Adjustment in respect of prior years	<u>(62)</u>	<u>121</u>
Total current tax	<u>767</u>	<u>1,490</u>
Deferred tax:		
Timing differences arising in the year	(42)	(118)
Adjustment in respect of prior years	60	(98)
Effect of changes in tax rate on deferred tax assets	<u>12</u>	<u>12</u>
Total deferred tax (note 7(c))	<u>30</u>	<u>(204)</u>
Tax on profit on ordinary activities (note 7(b))	<u>797</u>	<u>1,286</u>
Equity items:		
Deferred tax current year charge/(credit)	(3)	(2)
Deferred tax in respect of prior years	<u>-</u>	<u>(1)</u>
	<u>(3)</u>	<u>(3)</u>

(b) Factors affecting the current tax charge for the year

The charge for the year can be reconciled to the profit per the income statement as follows:

	2020	2019
	£000	£000
Profit before tax	<u>6,815</u>	<u>9,756</u>
Tax on profits at standard rate of corporation tax in the UK of 19.00% (2019: – 19.00%)	1,295	1,853
Effects of:		
Permanent differences	11	37
Income not taxable	(519)	(640)
Difference in current tax and deferred tax rate	12	13
Prior year adjustment	<u>(2)</u>	<u>23</u>
Total tax for the year (note 7(a))	<u>797</u>	<u>1,286</u>

Notes to the financial statements

at 31 December 2020

7. Tax (continued)

(c) Deferred tax

Movements in deferred tax asset/(liability) in the year:

	£000
At 1 January 2020	(37)
Adjustment in respect of prior years	(59)
Charge in the year	30
Charge in equity for the year	3
At 31 December 2020	<u>(63)</u>

The provision for deferred tax is made as follows:

	2020 £000	2019 £000
Excess of depreciation over tax allowances on tangible fixed assets	(108)	(55)
Research and development	-	-
Temporary differences on pension	45	18
	<u>(63)</u>	<u>(37)</u>

In the Spring Budget 2020, the Government announced that from 1 April 2020, the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020.

Further to that, in the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax will increase to 25%. As the proposals to (i) keep the rate at 19%, and then (ii) to increase the rate to 25% had not been substantively enacted at the balance sheet date, the effects are not included in these financial statements.

Notes to the financial statements

at 31 December 2020

8. Tangible fixed assets

	<i>Plant and machinery</i> £000	<i>Fixtures & fittings</i> £000	<i>Motor vehicles</i> £000	<i>Asset under construction</i> £000	<i>Total</i> £000
<i>Cost:</i>					
At 1 January 2020	8,909	2,708	15	–	11,632
Transfer	–	–	–	–	–
Additions	36	–	–	18	54
Disposals	(858)	–	–	–	(858)
At 31 December 2020	<u>8,087</u>	<u>2,708</u>	<u>15</u>	<u>18</u>	<u>10,828</u>
<i>Depreciation:</i>					
At 1 January 2020	5,606	1,056	15	–	6,677
Charge for the year	616	171	–	–	787
Disposals	(421)	–	–	–	(421)
At 31 December 2020	<u>5,801</u>	<u>1,227</u>	<u>15</u>	<u>–</u>	<u>7,043</u>
<i>Net book value:</i>					
At 31 December 2020	<u>2,286</u>	<u>1,481</u>	<u>–</u>	<u>18</u>	<u>3,785</u>
At 1 January 2020	<u>3,303</u>	<u>1,652</u>	<u>–</u>	<u>–</u>	<u>4,955</u>

9. Right-of-Use-assets

	<i>Right-of-Use: Buildings</i> £000	<i>Total</i> £000
<i>Cost:</i>		
At 1 January 2020	1,261	1,261
IFRS 16 Adjustment	351	351
At 31 December 2020	<u>1,612</u>	<u>1,612</u>
<i>Depreciation:</i>		
At 1 January 2020	30	30
Charge for the year	257	257
At 31 December 2020	<u>287</u>	<u>287</u>
<i>Net book value:</i>		
At 31 December 2020	<u>1,325</u>	<u>1,325</u>
At 1 January 2020	<u>1,231</u>	<u>1,231</u>

The IFRS 16 Adjustment was required in the year for an increase in the lease cost for the remainder of the lease term for the right-of-use asset.

Notes to the financial statements

at 31 December 2020

10. Stocks

	2020	2019
	£000	£000
Raw materials	1,894	4,532
Work in progress	6,360	8,231
Finished goods	775	1,629
	<u>9,029</u>	<u>14,392</u>

11. Debtors

	2020	2019
	£000	£000
Trade debtors	463	1,197
Amounts owed by group undertakings	18,248	773
Prepayments and accrued income	225	343
Other debtors	65	71
	<u>19,001</u>	<u>2,384</u>
Corporation tax receivable	197	–
	<u>19,198</u>	<u>2,384</u>

12. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	2,582	1,593
Other taxation and social security costs	149	251
Accruals and deferred income	2,038	1,005
Lease Liabilities – current portion	240	–
Other creditors	1,852	842
	<u>6,861</u>	<u>3,691</u>
Corporation tax payable	–	764
	<u>6,861</u>	<u>4,455</u>

Notes to the financial statements

at 31 December 2020

13. Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Lease liabilities	2,638	2,773
Deferred tax (note 7(c))	63	37
	<u>2,701</u>	<u>2,810</u>

14. Issued share capital

<i>Allotted, called up and fully paid</i>	2020		2019	
	No.	£000	No.	£000
Ordinary shares of £1 each	–	–	–	–
Ordinary shares of £0.0000001 each	45,026,250	<u>–</u>	45,026,250	<u>–</u>

15. Lease Liabilities

The table below presents the amounts recognized and location of recognition in our Balance Sheet as of 31 December 2020 related to our leases:

	2020	2019
	£000	£000
Lease right-of-use-assets	1,325	1,261
Lease liabilities:		
Current portion of lease liabilities and other finance obligations	240	201
Lease liabilities and other finance obligations, less current portion	<u>2,638</u>	<u>2,572</u>
Total Lease Liabilities	<u>2,878</u>	<u>2,773</u>

Notes to the financial statements

at 31 December 2020

15. Lease Liabilities (continued)

The table below presents a maturity analysis of the obligations related to our lease liabilities in effect as of 31 December 2020:

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
2021	427	381
2022	427	381
2023	427	382
2024	427	382
2025	427	382
Thereafter	1,724	1,923
Total undiscounted cash flows related to lease liabilities	<u>3,859</u>	<u>3,830</u>
Less: Imputed Interest	(981)	(1,057)
Total Lease Liabilities	<u>2,878</u>	<u>2,773</u>

16. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking and controlling party is August UK Holdco Ltd, a company registered in the United Kingdom.

The company's ultimate parent undertaking and controlling party at 31st December 2020 was Sensata Technologies Holding plc.

The financial statements for both the immediate and ultimate parent undertaking can be requested from Interface House, Interface Business Park, Royal Wootton Bassett, SN4 8SY.

17. Post balance sheet events

There have been no significant events affecting the company since the year end.