

Registered number: 01408491

IS-RAYFAST LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020



IS-RAYFAST LIMITED

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IS-RAYFAST LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

Principal activities and future developments

The principal activity of the Company is the distribution of high performance electrical interconnect and electro mechanical components. The Company has had a challenging year of trading impacted by the Coronavirus pandemic, but continued to be profitable and it is anticipated that performance will return to pre-pandemic levels in the coming year.

Business review

The Company is managed as part of an overall group of companies whose ultimate parent company is Diploma PLC ("the Group"). The Directors report turnover for the year ended 30 September 2020 of £35,223,000 (2019: £41,762,000) and gross profit of £10,571,000 (2019: £12,199,000), as well as a decrease in profit before tax from £10,074,000 to £7,893,000. Turnover has decreased as a result of the Coronavirus pandemic, impacting several of the Company's key markets domestically and overseas. The Company has undertaken a strategic review to pivot into new markets and is now successfully recovering from the downturn. Control on costs has minimised the impact on operating profit, with average headcount falling from 121 to 113. The profit and loss account shows a profit after taxation of £6,376,000 (2019: £8,141,000). The net assets as at 30 September 2020 were £11,809,000 (2019: £13,433,000).

The principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of the Group and are not managed separately.

Key to the continued success of the Company is the ability to identify and manage effectively the risks to the business. Accordingly, in common with the Group generally, the Company has well-defined, rigorous policies and processes designed to identify, mitigate and control risk. The primary risks that have the potential to adversely impact the business over the next twelve months are considered to be as follows:

- Downturn/instability in major markets: Adverse changes in the major markets in which the Company operates can have a significant impact on performance. The Company identifies key market drivers and monitor the trends and forecasts, as well as maintaining close relationships with key customers.
- Coronavirus/lockdown: the business operates in various markets across multiple jurisdictions. It is now recovering from the impact of the first UK lockdown in mid-2020, and has not been adversely affected by the (post year-end) November 2020 lockdown in England, with sales and orders improving month on month following the first lockdown. However, the Company is exposed to the economic downsides of possible future lockdowns domestically or in other key jurisdictions, where key customers or suppliers are impacted.

IS-RAYFAST LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Financial key performance indicators

The key performance indicators which the Directors use to monitor and manage performance of the Company are revenue, operating profit and profit after tax which are all disclosed and discussed in the business review above.

The matters required to be discussed in the Business Review, which include the key performance indicators and principal risks and uncertainties, are set out in the Annual Report of Diploma PLC on pages 24 to 31. A copy of this is available on the website at www.diplomapl.com or can be obtained from the Group Company Secretary, Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.

In addition to the principal risks and uncertainties disclosed in the Annual Report of Diploma PLC and those noted above specific to this entity, the Group has recently considered the risks on the Group's liquidity and viability in connection with the Coronavirus pandemic (COVID-19), including those that may be relevant to the Company. The Group has a resilient and proven business model, as well as an accountable, commercial and agile culture which is responding admirably to this challenge. The Group enters this uncertain period in a robust financial position, with a strong balance sheet and liquidity position as well as covenant headroom and is acting to conserve cash so that the Group remains well positioned for long term success. Although the full extent of the potential impact on our business, operations and the global economy as a whole is not yet clear, Group executive management continue to work closely with all the Group's businesses to manage their response to the COVID-19 pandemic as effectively as possible. The COVID-19 pandemic has impacted the Company's financial position and its performance in the year ending 30 September 2020 as described above. The Directors believe the ongoing impact of the pandemic will not be as significant as in 2020, in which the Company continued to remain profitable and maintained a strong financial position. Going forward the Directors are therefore confident of the Company's better performance and continued strong financial position.

Directors' statement of compliance with duty to promote the success of the Company

The Directors' statement of compliance with Section 172(1), their duty to promote the success of the Company, is synonymous with the Section 172(1) statement relating the Group, and is set out in the Annual Report of Diploma PLC on page 37. A copy of this is available on the website at www.diplomapl.com or can be obtained from the Group Company Secretary, Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.

Going concern

At 30 September 2020, the Company had net assets of £11,809,000 (2019: £13,433,000). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The going concern position of the Company is linked to that of the wider Group due to the cross guarantees on financing given by a number of Group companies as well as the provision of a letter of financial support from the ultimate parent company, Diploma PLC in respect of the going concern status of various Group companies.

The Group's balance sheet is strong and working capital is well controlled. As at 30 September 2020, the Group had net cash funds of £206,800,000 and a committed multi-currency revolving bank facility of £60,000,000 which includes a committed accordion facility of £30,000,000 which was exercised during the year. On 13 October 2020 the Group signed new debt facilities ("SFA") which comprises a term loan (US\$170,000,000) and a multi-currency revolving credit facility (£135,000,000). The SFA is due to expire in December 2023 with the option to extend for a further two twelve month periods.

The Group operates businesses which continued to trade successfully throughout the lockdown periods, demonstrating the resilience and power of our value-add model, the diversity of our end segments and the benefits of a geographically diverse scalable business.

Given the global economic uncertainty of the Covid-19 pandemic and taking into account the recent guidance issued by the FCA and FRC, the Group has considered a more comprehensive going concern view than in

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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

previous years. The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and sectors, often secured with longer term agreements. As a consequence, the Group and therefore the Company, is well placed to manage its business risks successfully as described below.

Diploma PLC, the ultimate parent company of the Company has provided a letter of support to the Company for a period of at least twelve months from the date of these financial statements confirming that it will provide adequate financial support to the Company to allow the Company to meet its financial obligations as they fall due.

The Directors of the Company are satisfied that there are no material events or uncertainties that they are aware of which will impact the ability of the Company to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements on pages 10 to 30 were approved by the Board of Directors on 10 March 2021 and signed on its behalf.



B Gibbes
Director

IS-RAYFAST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present their report and the audited financial statements for the year ended 30 September 2020.

Results and dividends

The profit for the year, after taxation, amounted to £6,376,000 (2019: £8,141,000).

An interim dividend of £8,000,000 (2019: £7,000,000) was paid during the year. The Directors do not recommend a final dividend (2019: £nil).

An indication of future developments of the Company and details of the use of the going concern assumption are included in the Strategic Report and form part of this report by cross-reference. The Company is a wholly owned subsidiary of Diploma PLC.

Directors

The Directors who served during the year were:

D S Goode (appointed 1 October 2019)
B Gibbes (appointed 22 June 2020)
N P Lingwood (resigned 22 June 2020)
A Lala (resigned 1 October 2019)

Except as noted above, all Directors served throughout the year and are still Directors at the date of this report.

Statements on business relationships and employee engagement

The Directors' statements on business relationships and employee engagement are addressed by their statement of compliance with duty to promote the success of the Company (Section 172(1)) found in the Strategic Report (pages 1-3).

Disclosure of information to auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The financial statements on pages 10 to 30 were approved by the Board of Directors on 10 March 2021 and signed on its behalf.



B Gibbes
Director

IS-RAYFAST LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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.

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.

IS-RAYFAST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IS-RAYFAST LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, IS-Rayfast Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 September 2020; the Profit and Loss Account, the Statement of Changes in Equity for the year ended 30 September 2020; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

IS-RAYFAST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IS-RAYFAST LIMITED

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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

IS-RAYFAST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IS-RAYFAST LIMITED

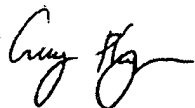
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Guy Flynn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 March 2021

IS-RAYFAST LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Turnover	4	35,223	41,762
Cost of sales		(24,715)	(29,563)
Gross profit		10,508	12,199
Distribution costs		(441)	(538)
Administrative expenses		(2,151)	(1,587)
Operating profit	5	7,916	10,074
Interest payable and similar expenses	9	(23)	-
Profit before tax		7,893	10,074
Tax on profit	10	(1,517)	(1,933)
Profit for the financial year		6,376	8,141

There were no items of comprehensive income for 2020 or 2019 other than those included in the profit and loss account, thus no separate statement of comprehensive income has been prepared.

The notes on pages 14 to 30 form part of these financial statements.

All amounts relate to continuing operations.

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REGISTERED NUMBER: 01408491

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Goodwill	12	1,714	1,714
Tangible assets	13	869	475
		<u>2,583</u>	<u>2,189</u>
Current assets			
Stocks	14	6,797	7,111
Debtors: amounts falling due within one year	15	7,791	9,859
Cash at bank and in hand	16	729	1,796
		<u>15,317</u>	<u>18,766</u>
Creditors: amounts falling due within one year	17	(5,888)	(7,522)
Net current assets		<u>9,429</u>	<u>11,244</u>
Total assets less current liabilities		<u>12,012</u>	<u>13,433</u>
Creditors: amounts falling due after more than one year	18	(198)	-
		<u>11,814</u>	<u>13,433</u>
Provisions for liabilities			
Deferred taxation	19	(5)	-
		<u>(5)</u>	<u>-</u>
Net assets		<u>11,809</u>	<u>13,433</u>
Capital and reserves			
Called up share capital	21	160	160
Profit and loss account		11,649	13,273
Total shareholders' funds		<u>11,809</u>	<u>13,433</u>

IS-RAYFAST LIMITED
REGISTERED NUMBER: 01408491

BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 March 2021.



B Gibbes
Director

The notes on pages 14 to 30 form part of these financial statements.

IS-RAYFAST LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Called up share capital	Profit and loss account	Shareholders' funds
	£000	£000	£000
At 1 October 2018	160	12,132	12,292
Comprehensive income for the year			
Profit for the year	-	8,141	8,141
Total comprehensive income for the year	-	8,141	8,141
Dividends (Note 11)	-	(7,000)	(7,000)
Total transactions with owners	-	(7,000)	(7,000)
At 30 September 2019	160	13,273	13,433
Comprehensive income for the year			
Profit for the year	-	6,376	6,376
Total comprehensive income for the year	-	6,376	6,376
Dividends (Note 11)	-	(8,000)	(8,000)
Total transactions with owners	-	(8,000)	(8,000)
At 30 September 2020	160	11,649	11,809

The notes on pages 14 to 30 form part of these financial statements.

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General information

IS-Rayfast Limited is a private company, limited by shares, incorporated in the United Kingdom under Companies Act 2006 and registered in England and Wales. The address of the registered office is 12 Charterhouse Square, London, EC1M 6AX. The Company's financial statements are presented in UK Sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. As the consolidated financial statements of Diploma PLC include equivalent disclosures, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- A Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- A comparative year reconciliation for share capital as required by IAS 1 'Presentation of Financial Statements';
- Disclosure in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financials Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- Disclosures in respect of the compensation of Key Management Personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'; and
- Requirements of 91 to 99 IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

New accounting standards

IFRS 16 (Leases)

IFRS 16 replaces IAS 17 and introduces a new single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The impact of IFRS 16 on the Company's financial statements has been assessed in note 2.4.

There were no other new standards, amendments or interpretations to existing standards which have been published or endorsed by the EU and which have a significant impact on the results or financial position for the year ended 30 September 2020.

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.2 Going concern

At 30 September 2020, the Company had net assets of £11,809,000 (2019: £13,433,000). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The going concern position of the Company is linked to that of the wider Group due to the cross guarantees on financing given by a number of Group companies as well as the provision of a letter of financial support from the ultimate parent company, Diploma PLC in respect of the going concern status of various Group companies.

The Group's balance sheet is strong and working capital is well controlled. As at 30 September 2020, the Group had net cash funds of £206,800,000 and a committed multi-currency revolving bank facility of £60,000,000 which includes a committed accordion facility of £30,000,000 which was exercised during the year. On 13 October 2020 the Group signed new debt facilities ("SFA") which comprises a term loan (US\$170,000,000) and a multi-currency revolving credit facility (£135,000,000). The SFA is due to expire in December 2023 with the option to extend for a further two twelve month periods.

The Group operates businesses which continued to trade successfully throughout the lockdown periods, demonstrating the resilience and power of our value-add model, the diversity of our end segments and the benefits of a geographically diverse scalable business.

Given the global economic uncertainty of the Covid-19 pandemic and taking into account the recent guidance issued by the FCA and FRC, the Group has considered a more comprehensive going concern view than in previous years. The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and sectors, often secured with longer term agreements. As a consequence, the Group and therefore the Company, is well placed to manage its business risks successfully as described below.

Diploma PLC, the ultimate parent company of the Company has provided a letter of support to the Company for a period of at least twelve months from the date of these financial statements confirming that it will provide adequate financial support to the Company to allow the Company to meet its financial obligations as they fall due.

The Directors of the Company are satisfied that there are no material events or uncertainties that they are aware of which will impact the ability of the Company to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

2.3 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given and liabilities assumed.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to the Profit and Loss Account.

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

The Company adopted IFRS 16 on 1 October 2019 using the modified retrospective approach. The Company leases various offices, warehouses, equipment and motor vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 1 October 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Each lease payment is allocated against the lease liability. The finance cost on the leases is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments which includes the fixed payments less any lease incentives. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of less than 12 months. Low-value assets comprises IT equipment and motor vehicles. The Company has no material leases that are onerous.

On implementation of IFRS 16 on 1 October 2019, the Company recognised right-of-use assets and corresponding lease liabilities of £738,000 and £755,000 respectively. There was no impact on the Company's opening retained earnings as a result of adopting IFRS 16. The Company's most significant leases relate to property. The weighted average incremental borrowing rate applied to the Company's lease liabilities on transition ranged from 3.7% – 5.7%.

Profit before tax of £7,893,000 for the year ended 30 September 2020 was £7,897,000 on a pre-IFRS 16 basis. Total assets of £17,414,000 and total liabilities of £5,605,000 as at 30 September 2020 were £16,905,000 and £5,075,000 on a pre-IFRS 16 basis, respectively.

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is UK Sterling.

Transactions and balances

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

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

2.6 Dividends

Equity dividends are recognised when they become legally payable.

Provision is made for the amount of any approved and irrevocable equity dividend declared on or before the end of the financial year.

2.7 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue, with regard to the time value of money, can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

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

2.8 Leases

The Company as a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date.

Lease liabilities are recorded at the present value of lease payments. Leases are discounted at the

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.8 Leases (continued)

Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are depreciated on a straight-line basis over the lease term, or useful life if shorter.

Interest is recognised on the lease liability, resulting in a higher finance cost in the earlier years of the lease term.

Lease payments relating to low value assets or to short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with 12 months or less duration.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.9 Pensions

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Finance costs

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

IS-RAYFAST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.11 Current and deferred taxation

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

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

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

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

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

2.12 Tangible fixed assets

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

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

IS-RAYFAST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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

The estimated useful lives range as follows:

Leasehold property	- 2 years
Plant and machinery	- 4 to 7 years
Motor vehicles	- 4 years
Fixtures and fittings	- 3 to 10 years
Leasehold improvements	- 10 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on an actual cost basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

Debtors and other receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

In assessing for potential impairment under IFRS 9, the Company assesses on a forward looking basis the expected credit losses associated with its debtors carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.15 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are non-interest bearing and are initially measured at their nominal value.

IS-RAYFAST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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

The application of the Company's accounting policies requires the use of management judgement and estimation, which often involves assumptions regarding future events which can vary from what is anticipated. The preparation of the Company's financial statements does not require management to make any critical accounting judgements, assumptions or estimates with regard to assets or liabilities that could potentially have a material adjustment to the carrying amount of assets or liabilities in the next 12 months. Management however are required to make estimates relating to inventory provisioning that could potentially have a material impact over the longer term.

Inventories are stated at the lower of cost and net realisable value. In the course of normal trading activities, estimates are used to establish the net realisable value of inventory and impairment charges are made for obsolete or slow-moving inventories and against excess inventories. The decision to make an impairment charge is based on a number of factors including management's assessment of the current trading environment, aged profiles and historical usage and other matters which are relevant at the time the financial statements are approved.

The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's performance and financial position.

4. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company with all sales originating in the United Kingdom.

Analysis of turnover by country of destination:

	2020	<i>2019</i>
	£000	<i>£000</i>
United Kingdom	22,725	<i>29,970</i>
Rest of Europe	8,140	<i>8,515</i>
Rest of the world	4,358	<i>3,277</i>
	35,223	<i>41,762</i>

There were no contract assets or contract liabilities included in trade and other receivables (note 15) and trade and other payables (note 17) respectively (2019: £Nil).

IS-RAYFAST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

5. Operating profit

The operating profit is stated after charging:

	2020	2019
	£000	£000
Depreciation of fixed assets and right-of-use assets (2019: depreciation of fixed assets only)	449	153
Foreign exchange losses	22	11
Defined contribution pension cost	214	210
	=====	=====

6. Auditors' remuneration

	2020	2019
	£000	£000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	33	32
	=====	=====

There were no fees payable for non-audit services (2019: £Nil).

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2020	2019
	£000	£000
Wages and salaries	3,774	4,260
Social security costs	366	396
Other pension costs	214	210
	=====	=====
	4,354	4,866
	=====	=====

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

	2020	2019
	No.	No.
Manufacturing	27	34
Administration, sales and distribution	86	87
	=====	=====
	113	121
	=====	=====

IS-RAYFAST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

8. Directors' remuneration

	2020	2019
	£000	£000
Directors' emoluments	-	329
Company contributions to defined contribution pension schemes	-	14
	<u>-</u>	<u>343</u>

No (nil) Director(s) received emoluments during the year in respect of his services to the Company (2019: one). The other Directors were all remunerated by other group companies and was not in respect of their directorship(s) of the Company. Their remuneration is wholly disclosed in the financial statements of those companies, not being separately allocable to the Company.

9. Interest payable and similar expenses

	2020	2019
	£000	£000
Interest on lease liabilities	23	-
	<u>23</u>	<u>-</u>

10. Tax on profit

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	1,500	1,940
Total current tax	<u>1,500</u>	<u>1,940</u>
Deferred tax		
Origination and reversal of timing differences	17	(7)
Total deferred tax	<u>17</u>	<u>(7)</u>
Taxation on profit	<u>1,517</u>	<u>1,933</u>

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Tax on profit (continued)

Factors affecting tax charge for the year

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

	2020 £000	2019 £000
Profit before tax	7,893	10,074
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,500	1,914
Effects of:		
Capital allowances for year in excess of depreciation	20	13
Short term timing difference leading to an increase (decrease) in taxation	15	11
Other timing differences leading to an increase (decrease) in taxation	(18)	(5)
Total tax charge for the year	1,517	1,933

Factors that may affect future tax charges

Following the 2020 Budget announcement, the rate of corporation tax has been held at 19% for financial years 2020 and 2021, despite a previously enacted reduction to the rate of corporation tax to 17% (previously effective 1 April 2020). The UK deferred tax assets and liabilities have therefore been calculated based on the future UK Corporation tax rate of 19% (2019: 17%) as substantively enacted as at 30 September 2020.

11. Dividends

	2020 £000	2019 £000
Dividends	8,000	7,000

Dividends of £50.00 per ordinary share (2019: £43.75) were paid during the year.

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. Goodwill

	£000
Cost and net book value	
At 1 October 2019	1,714
<i>At 30 September 2020</i>	<u>1,714</u>

Goodwill is tested for impairment annually. The impairment test requires a "value in use" valuation to be prepared using discounted cash flow forecasts. The cash flow forecasts are based on a combination of annual budget and the Company's strategic plan which is aligned with that of the Group. Beyond five years, cash flow projections utilise a perpetuity growth rate of 2%. The cash flow forecasts are discounted using a single market derived pre-tax discount rate of 11% (2019: 11%).

The key assumptions used to prepare the cash flow forecasts relate to gross margins, revenue growth rates and the discount rate. The gross margins are assumed to remain sustainable, which is supported by historical experience; revenue growth rates generally approximate to the long term average rates for the markets in which the business operates. The annual growth rate used in the cash flow forecast for the next five years represents the budgeted rates for 2021 and thereafter, average growth rates; these annual growth rates then reduce to 2% over the longer term.

Based on the criteria set out above, no impairment in the value of goodwill was identified.

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

13. Tangible assets

	Leasehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost						
At 1 October 2019	-	838	483	7	461	1,789
Impact of change in accounting policy	544	-	74	86	34	738
At 1 October 2019 (adjusted balance)	544	838	557	93	495	2,527
Additions	-	-	34	54	17	105
At 30 September 2020	544	838	591	147	512	2,632
Accumulated depreciation						
At 1 October 2019	-	601	298	7	408	1,314
Charge for the year on owned assets	-	88	50	-	29	167
Charge for the year on right- of-use assets	198	-	23	46	15	282
At 30 September 2020	198	689	371	53	452	1,763
Net book value						
At 30 September 2020	346	149	220	94	60	869
At 30 September 2019	-	237	185	-	53	475

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2020 £000
Tangible fixed assets owned	360
Right-of-use tangible fixed assets	509
	<u>869</u>

IS-RAYFAST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

13. Tangible assets (continued)

Information about right-of-use assets is summarised below:

Net book value

	2020 £000
Property	346
Plant and machinery	50
Motor vehicles	94
Office and computer equipment	19
	<u>509</u>

Depreciation charge for the year ended

	2020 £000
Property	(198)
Plant and machinery	(23)
Motor vehicles	(46)
Office and computer equipment	(15)
	<u>(282)</u>

Additions to right-of-use assets

	2020 £000
Additions to right-of-use assets	<u>54</u>

14. Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	6,797	7,111
	<u>6,797</u>	<u>7,111</u>

There is no material difference between the Balance Sheet value of stocks and their replacement cost. Stock is stated net of impairment provision of £177,000 (2019: £164,000) in respect of obsolescence.

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

15. Debtors: amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	4,185	6,408
Amounts owed by group undertakings	3,280	3,294
Other debtors	195	29
Prepayments	131	116
Deferred taxation	-	12
	<u>7,791</u>	<u>9,859</u>

All amounts owed by fellow group undertakings within one year are payable on demand and are non-interest bearing (2019: same). The expected credit loss on amounts owed by group undertakings in the current and prior year is not material.

Trade debtors are stated net of an impairment loss allowance of £60,000 (2019: £48,000).

16. Cash at bank and in hand

	2020 £000	2019 £000
Cash at bank and in hand	<u>729</u>	<u>1,796</u>

17. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	3,669	4,360
Amounts owed to group undertakings	881	468
Corporation tax	-	989
Other taxation and social security	249	623
Lease liabilities	332	-
Accruals	757	1,082
	<u>5,888</u>	<u>7,522</u>

All amounts due to fellow group undertakings are due within one year, are repayable on demand and are non-interest bearing (2019: Same).

IS-RAYFAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

18. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities	198	-
	<u>198</u>	<u>-</u>

19. Deferred taxation

	2020 £000	2019 £000
At 1 October	12	5
(Charged)/Credited to profit or loss	(17)	7
At 30 September	<u>(5)</u>	<u>12</u>

The deferred tax (liability)/asset is made up as follows:

	2020 £000	2019 £000
Short term timing differences	(5)	12
	<u>(5)</u>	<u>12</u>

The deferred tax asset is recognised on the basis of an expectation of sufficient future profits in the short term against which the future reversal of timing difference may be deducted.

IS-RAYFAST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

20. Leases

Company as a lessee

The Company leases various offices, warehouses, equipment and motor vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and terms and conditions are particular to each contract.

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2020
	£000
Interest expense on lease liabilities	23
Expenses relating to leases not qualifying for IFRS 16	126
Depreciation on right-of-use assets	282

Total cash payments in respect of leases qualifying for IFRS 16 were £302,000.

In relation to leases not qualifying for IFRS 16, the Company was committed to £nil future payments at the year end.

21. Called up share capital

	2020	2019
	£000	£000
Authorised, allotted, called up and fully paid		
160,000 (2019 - 160,000) Ordinary shares of £1.00 each	160	160

22. Contingent liabilities

The Company, along with certain other companies in the Group, has given a guarantee in respect of bank borrowing facilities of its immediate parent undertaking of £60,000,000. At 30 September 2020 the amounts utilised were £nil (2019: £6,149,000 and £35,967,000). On 13 October 2020, the Group entered into a new debt facility agreement which comprises a three-year term loan for an aggregate principal amount of £136,000,000 (US\$170,000,000) and a committed multi-currency revolving facility for an aggregate principal amount of £135,000,000. The company along with certain other companies in the Group has given a guarantee in respect of this new banking facility signed on 13 October 2020.

23. Controlling party

The immediate parent undertaking is Pride Limited.

The Company's ultimate parent undertaking and ultimate controlling party is Diploma PLC, a company incorporated in United Kingdom and registered in England and Wales, which is the smallest and largest group into which the results of IS-Rayfast Limited are consolidated. Copies of the Group's financial statements are available from the Group Company Secretary, Diploma PLC, 12 Charterhouse Square, London EC1M 6AX.