

Swindon Silicon Systems Limited

Annual Report and Financial Statements

31 December 2022

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COMPANIES HOUSE

Swindon Silicon Systems Limited

Directors

J E Loraine
M G Freve
F E Devita

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 2022.

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

Global production of light vehicles had consistently demonstrated steady annual growth for most of the decade up to 2019 when it started to decline. Fiscal years 2020 and 2021 were depressed production years due to the impact of the COVID-19 pandemic on global markets. Fiscal year 2020 was hardest hit, with global production of light vehicles declining approximately 16% from fiscal year 2019. In fiscal year 2022, global production of light vehicles increased about 6% from fiscal year 2021, according to third-party data.

Financial overview and key performance indicators

Sales during the year increased by 19.5%, from £55.8 million in 2021 to £66.7 million in 2022, Gross Margin increased to 33%, from 30% in 2021, with increased productivity and utilisation of written down inventory. Distribution costs of £0.9 million (2021 - £0.7 million) reflected the higher sales volumes and Administration costs of £5.4 million (2021 - £2.7 million) have increased with higher 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.

As has occurred with the COVID-19 pandemic, a global pandemic could cause significant disruption to the global economy, including in all of the regions in which we, our suppliers, distributors, business partners, and customers do business and in which our workforce is located. Disruptions could include partial shutdowns of our facilities as mandated by government decree, government actions limiting our ability to adjust certain costs, significant travel restrictions, "work from home" orders, limited availability of our workforce, supplier constraints, supply-chain interruptions, logistics challenges and reduced demand from certain customers. The COVID-19 pandemic has had, and could continue to have, these effects on the economy and our business. As of 31 December 2022, we were still experiencing lingering disruptions of these types. The extent to which the COVID-19 pandemic will continue to impact our business and financial results going forward will be dependent on future developments which remain highly uncertain and unpredictable.

We continue to monitor supply chain challenges and the macroeconomic backdrop, working closely with our suppliers and customers. In response to component and logistics cost inflation we improved pricing and we are taking measures to control costs in the future market conditions. Therefore, despite these headwinds, we expect the Company to keep on delivering solid financial results.

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.

Strategic report (continued)

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.

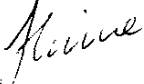
It is important for Sensata to maintain a reputation for high standards of business conduct. To this end, we require our employees to follow applicable laws and regulations and to operate ethically. To this end, we have adopted a Code of Business Conduct and Ethics governing the conduct of our personnel, 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.

Streamlined Energy and Carbon Reporting (SECR).

Disclosures under this regulation has been made in the consolidated UK financial statements of Sensata Technologies Holding PLC, which covers the full group, therefore disclosures are not made in these financial statements.

On behalf of the Board


J E Loraine
Director

Date: 29 Dec 2023

Registered No 1378199

Directors' report

The directors present their report and financial statements for the year ended 31 December 2022.

Results and Dividends

The profit for the year after taxation amounted to £14,208,000 (2021 – profit of £11,624,000). The directors paid an interim dividend of £nil (2021 – £21,689,000).

Going Concern

The company's parent undertaking, Sensata 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 12 months from signing of these accounts.

As of 30 September 2023, the Group had \$890 million cash and cash equivalents and \$746.1 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 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.

Post balance sheet events

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

Swindon Silicon Systems Limited

On behalf of the Board



J E Loraine
Director

Date 29 Dec 2023

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.

Registered No. 1378199

Profit and loss account

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	2	66,706	55,814
Cost of sales		<u>(44,576)</u>	<u>(38,744)</u>
Gross profit		22,130	17,070
Distribution costs		(942)	(731)
Administrative expenses		<u>(5,367)</u>	<u>(2,723)</u>
Operating profit	3	15,821	13,616
Interest payable and similar charges		<u>(170)</u>	<u>(187)</u>
Profit on ordinary activities before taxation		15,651	13,429
Tax	7	<u>(1,443)</u>	<u>(1,805)</u>
Profit for the financial year		<u>14,208</u>	<u>11,624</u>

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2022

There is no comprehensive income or loss other than the profit attributable to the shareholders of the company of £14,208,000 in the year ended 31 December 2022 (2021 – profit of £11,624,000).

The notes on pages 12 to 25 form part of the financial statements.

Statement of changes in equity

for the year ended 31 December 2022

	<i>Share capital</i> £000	<i>Capital redemption reserve</i> £000	<i>Share option reserve</i> £000	<i>Profit and loss account</i> £000	<i>Total equity</i> £000
At 1 January 2021	–	–	261	24,063	24,324
Profit for the financial year	–	–	–	11,624	11,624
Share based payments (note 6)	–	–	130	–	130
Deferred tax on share based payments	–	–	(6)	–	(6)
Dividend distribution	–	–	–	(21,689)	(21,689)
At 31 December 2021	–	–	385	13,998	14,383
Profit for the financial year	–	–	–	14,208	14,208
Share based payments (note 6)	–	–	296	–	296
Dividend distribution	–	–	–	–	–
At 31 December 2022	–	–	681	28,206	28,887

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 12 to 25 form part of the financial statements.

Swindon Silicon Systems Limited

Registered No. 1378199

Balance sheet


at 31 December 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Tangible assets	8	3,639	3,661
Right of Use Assets	9	1,039	1,182
		<u>4,678</u>	<u>4,843</u>
Current assets			
Stocks	10	19,335	14,601
Debtors due within one year	11	14,818	2,911
Cash at bank and in hand		273	196
		<u>34,426</u>	<u>17,708</u>
Creditors: amounts falling due within one year	12	<u>(7,884)</u>	<u>(5,689)</u>
Net current assets		<u>26,542</u>	<u>12,019</u>
Total assets less current liabilities		31,220	16,862
Creditors: amounts falling due after more than one year	13	<u>(2,333)</u>	<u>(2,479)</u>
Net assets		<u>28,887</u>	<u>14,383</u>
Capital and reserves			
Called up share capital	14	-	-
Capital redemption reserve		-	-
Share option reserve		681	385
Profit and loss account		<u>28,206</u>	<u>13,998</u>
Shareholders' funds		<u>28,887</u>	<u>14,383</u>

The directors consider that the company is entitled to exemption from requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibility for complying with requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements of Swindon Silicon Systems Limited (registered number: 1378199) were approved for issue by the board of directors on 29th December 2023 and signed on its behalf by:


J E Loraine
Director

Date: 29 Dec 2023

Notes to the financial statements

at 31 December 2022

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 2022

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 12 months from signing of these accounts.

As of 30 September 2023, the Group had \$890 million cash and cash equivalents and \$746.1 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 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 2022

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 2022

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 2022

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 2022

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 2022

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:

	2022	2021
	£000	£000
UK	18,870	19,707
US	-	33
Rest of Europe	6,074	3,763
Rest of the World	41,762	32,311
	<u>66,706</u>	<u>55,814</u>

3. Operating profit

This is stated after charging/(crediting):

	2022	2021
	£000	£000
Auditor's remuneration	3	27
Depreciation of tangible fixed assets	614	609
Lease expense: land and buildings – depreciation	143	143
Research and development expenditure written off	5,666	4,614
Net foreign currency exchange differences	2,786	364
Cost of stocks recognised as an expense (included in cost of sales)	37,918	32,911
Including: – write-down of stocks to net realisable value	147	(1,134)

4. Directors' remuneration

The information below relates solely to directors of the company.

	2022	2021
	£000	£000
Remuneration	218	202
Contributions to money purchase pension schemes	11	11
	<u>229</u>	<u>213</u>
	2022	2021
	£000	£000
Highest paid directors' remuneration:		
Remuneration	218	202
Contributions to money purchase pension schemes	11	11
	<u>229</u>	<u>213</u>

Notes to the financial statements

at 31 December 2022

5. Staff costs

	2022	2021
	£000	£000
Wages and salaries	4,884	4,771
Social security costs	669	542
Defined contribution pension plan	304	297
	<u>5,857</u>	<u>5,610</u>

Included in accruals are pension contributions not yet paid of £44,783 (2021 - £38,869).

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

	No.	No.
Production	69	70
Sales and distribution	3	3
Administration	2	2
	<u>74</u>	<u>76</u>

6. Share based payments

In April 2022, 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 2021	14,294		385
Granted in period	4,799	50.56	196
Exercised in period	2,104	45.81	78
Forfeited in period	317		22
Balance as at 31 st December 2022	<u>21,514</u>		<u>526</u>

Performance RSU awards vest three years after the grant date.

Notes to the financial statements

at 31 December 2022

7. Tax

(a) Tax on profit

The tax charge is made up as follows:

	2022 £000	2021 £000
Current tax:		
UK corporation tax on the profit for the year	1,698	1,775
Adjustment in respect of prior years	(383)	1
Total current tax	<u>1,315</u>	<u>1,776</u>
Deferred tax:		
Timing differences arising in the year	(4)	(24)
Adjustment in respect of prior years	134	-
Effect of changes in tax rate on deferred tax	(2)	53
Total deferred tax (note 7(c))	<u>128</u>	<u>29</u>
Tax on profit on ordinary activities (note 7(b))	<u>1,443</u>	<u>1,805</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:

	2022 £000	2021 £000
Profit before tax	<u>15,651</u>	<u>13,430</u>
Tax on profits at standard rate of corporation tax in the UK of 19.00% (2021: – 19.00%)	2,974	2,552
Effects of:		
Permanent differences	17	78
Income not taxable	(1,296)	(879)
Difference in current tax and deferred tax rate	(3)	53
Prior year adjustment	(249)	1
Total tax for the year (note 7(a))	<u>1,443</u>	<u>1,805</u>

Notes to the financial statements

at 31 December 2022

7. Tax (continued)

(c) Deferred tax

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

	<i>£000</i>
At 1 January 2022	(98)
Charge in the year	(128)
At 31 December 2022	<u>(226)</u>

The provision for deferred tax is made as follows:

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Excess of depreciation over tax allowances on tangible fixed assets	(270)	(223)
Research and development	-	120
Temporary differences	44	5
	<u>(226)</u>	<u>(98)</u>

Notes to the financial statements

at 31 December 2022

8. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Fixtures & fittings</i>	<i>Motor vehicles</i>	<i>Asset under construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>					
At 1 January 2022	7,801	2,708	15	25	10,549
Transfer	–	25	–	(25)	–
Additions	243	11	–	338	592
Disposals	(246)	–	–	–	(246)
At 31 December 2022	<u>7,798</u>	<u>2,744</u>	<u>15</u>	<u>338</u>	<u>10,895</u>
<i>Depreciation:</i>					
At 1 January 2022	5,480	1,393	15	–	6,888
Charge for the year	447	167	–	–	614
Disposals	(246)	–	–	–	(246)
At 31 December 2022	<u>5,682</u>	<u>1,560</u>	<u>15</u>	<u>–</u>	<u>7,256</u>
<i>Net book value:</i>					
At 31 December 2022	<u>2,117</u>	<u>1,184</u>	<u>–</u>	<u>338</u>	<u>3,639</u>
At 1 January 2022	<u>2,321</u>	<u>1,315</u>	<u>–</u>	<u>25</u>	<u>3,661</u>

9. Right-of-Use-assets

	<i>Right-of-Use: Buildings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>
<i>Cost:</i>		
At 1 January 2022	1,612	1,612
At 31 December 2022	<u>1,612</u>	<u>1,612</u>
<i>Depreciation:</i>		
At 1 January 2022	430	430
Charge for the year	143	143
At 31 December 2022	<u>573</u>	<u>573</u>
<i>Net book value:</i>		
At 31 December 2022	<u>1,039</u>	<u>1,039</u>
At 1 January 2022	<u>1,182</u>	<u>1,182</u>

Notes to the financial statements

at 31 December 2022

10. Stocks

	2022	2021
	£000	£000
Raw materials	11,589	6,470
Work in progress	7,218	6,496
Finished goods	528	1,635
	<u>19,335</u>	<u>14,601</u>

11. Debtors

	2022	2021
	£000	£000
Trade debtors	1,442	1,178
Amounts owed by group undertakings	12,296	–
Prepayments and accrued income	166	231
Other debtors	43	67
	<u>13,947</u>	<u>1,476</u>
Corporation tax receivable	871	1,435
	<u>14,818</u>	<u>2,911</u>

12. Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	3,074	2,638
Amounts owed to group undertakings	773	956
Other taxation and social security costs	150	129
Accruals and deferred income	3,815	1,271
Lease Liabilities – current portion	274	257
Other creditors	2,724	438
	<u>7,884</u>	<u>5,689</u>

Notes to the financial statements

at 31 December 2022

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

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Lease liabilities	2,107	2,381
Deferred tax (note 7(c))	226	98
	<u>2,333</u>	<u>2,479</u>

14. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2022</i>	<i>No.</i>	<i>2021</i>
		<i>£000</i>		<i>£000</i>
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 2021 related to our leases:

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Lease right-of-use-assets	1,039	1,182
Lease liabilities:		
Current portion of lease liabilities and other finance obligations	274	257
Lease liabilities and other finance obligations, less current portion	2,107	2,381
Total Lease Liabilities	<u>2,381</u>	<u>2,638</u>

Notes to the financial statements

at 31 December 2022

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 2022:

	2022	2021
	£000	£000
2023	427	427
2024	427	427
2025	427	427
2026	427	427
2027	427	427
Thereafter	870	1,297
Total undiscounted cash flows related to lease liabilities	3,005	3,432
Less: Imputed Interest	(624)	(794)
Total Lease Liabilities	2,381	2,638

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 2022 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.