

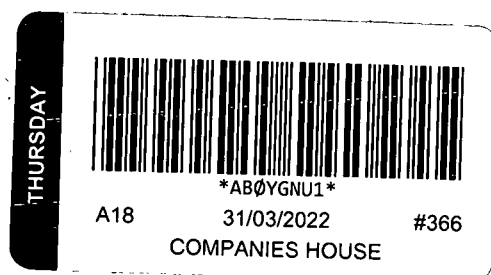
CASTLE MICROWAVE LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 30 JUNE 2021



CASTLE MICROWAVE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Overview

Despite the global trading challenges presented by the Coronavirus pandemic, Castle Microwave has continued to deliver strongly, with profitable performance. The board is extremely proud of the how the management and staff have adapted to allow us to continue to deliver outstanding service to our customers and the success of our business.

Performance

The underlying financial performance for the period to June 2021 was very good despite the global slowdown resulting from the pandemic. Sales for the year were reduced to £6.22m (2020: £7.91m) and an operating profit of £0.34m (2020: £0.69m). The reduction in sales was due largely to high-value projects being delayed by our customers; these projects have all either since been confirmed or remain active and are expected to be realised in FY21/22. As the markets recovered from the pandemic, sales order intake continued to increase throughout the year, with a particularly strong order of £2.49m in the fourth quarter of the financial year. The business has maintained at least £0.62m of cash headroom during the year, enabling continued investment in our customers and our talent base.

The board are confident of continued strong growth driven by the focus to provide leading edge RF and microwave technology solutions applying specialist engineering knowledge to support our customers.

Supply Chain Challenges

Global electronics supply chains have been disrupted by the Coronavirus pandemic resulting in increased lead times and costs. Customers are recognising the need to place orders earlier due to increasing component lead times as supply is frustrated by shortfalls in component manufacture capacity and logistical management challenges. Castle Microwave has focused on working closely with our principals to manage disruption in the supply chain to maximise sales revenue and minimise the impact to our customers.

Principals

A core strength of Castle Microwave is the quality and breadth of the principal base. As a representative for premium RF and microwave brands such as MACOM, Empower RF and Meggitt, Castle Microwave provides its customers with the highest level of custom technical solutions for high reliability applications such as space, defence and satellite communications. Through innovative new principals such as X-Microwave, we offer disruptive technology to the market that differentiates Castle Microwave and increases the number of opportunities for us to engage with our customers.

We have also continued to expand into the high-growth software space and are proud to be a representative for industry-leading Cadence Design Systems; their premium software packages offer best-in-class RF design and simulation. Through the trusted technical software support offered by Castle Microwave, we are cementing our position as the "First Choice" partner to our customers for RF solutions, in turn generating growth in hardware and services sales.

Castle Microwave is constantly reviewing the market for new principals to join our portfolio and will launch several new product lines in FY21/22, ensuring that we remain at the forefront of microwave and RF system supply.

CASTLE MICROWAVE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Technologies and Sectors

Small and large-scale chambers for test, measurement and verification purposes continue to deliver sustained growth across a range of markets. Other growth technologies include RF amplifier modules and systems for defence and satellite communication applications and test and measurement solutions for device characterisation applications.

The Space and Satellite Communication industries have continued to be a major component in Castle Microwave's sales in F20/21. The UK's space economy, backed by the Government's National Space Strategy is growing rapidly and is projected to grow from an estimated £270 billion in 2019 to £490 billion by 2030 (BEIS, 2021). Castle Microwave is uniquely positioned to serve this high-growth market; this year we have delivered subsystems for high-profile low earth orbit satellite constellations.

The Defence and Homeland Security sector has also performed well in FY20/21; building on Castle's strong and trusted relationships with the world's leading defence contractors, we are able to support mission-critical programs with technical expertise in RF and microwave technologies.

Investment

The business culture and investment roadmap are focused on maximising our best-in-class technical expertise in RF and Microwave design and supply. Our highly-skilled Sales Engineers support our customers' growing requirements in this technically complex field where custom solutions are essential for high-technology, high-reliability applications. In FY20/21, we have continued to invest in this technical expertise, recruiting experienced engineers as well as graduates to ensure a robust talent pipeline. The sales function is supported by the Connexion Technologies Business Development team who deliver lead generation and maximise synergies from across the wider Connexion Technologies group.

Key investments have also been made in infrastructure to support the growing sales function. This financial year Salesforce has been deployed effectively to maximise sales activities and enhance account management.

Conclusion

Castle Microwave has proved hugely successful at establishing itself as the "First Choice" for all its existing customers and in the delivery of RF and Microwave solutions. Our diverse capabilities and deep technical expertise allow us to offer our customers a unique level of flexibility and responsiveness; this is critical as we continue to maximise our growth. At the time of writing, Castle Microwave is celebrating 40 years of business and the board would like to thank its customers for their ongoing business; we are proud to have supported businesses and organisations at the cutting edge of science and technology for such a long period. Furthermore, the board wish to recognise the commitment and resolve of our employees and our supplier base who continue to aspire to be the best in what we choose to lead the world in.

As our customers continue to recover from the pandemic and proceed with large-scale new projects, Castle Microwave will be in a stronger position than ever to support them. The wider Connexion Technologies group with unique mechanical, electronic manufacturing and supply chain capabilities has also weathered the storm well and although the Group sales reduced 20% in 20/21, bounced back in 21/22 and is forecast to grow 28% to £38m.

CASTLE MICROWAVE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Principal risks and uncertainties

The principal risks and uncertainties facing the company includes:

- Supply chain disruption resulting in increased lead time
- Customer retention;
- Product innovation and development.

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulation, legal and ethical standards is a high priority for the company and each department head takes on an important oversight role in this regard.

Financial key performance indicators

The directors consider the Key Performance Indicators to be gross profit and profit before tax as disclosed in the Profit and Loss Account.

Directors

The directors who served during the year were:

M A Eidem
R P Eldridge
C R Wright

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



C R Wright
Director

Date: 29/3/2022

CASTLE MICROWAVE LIMITED
REGISTERED NUMBER: 01874256

BALANCE SHEET
AS AT 30 JUNE 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	4	115,157	102,009
Fixed Asset Investments	5	200	200
		<u>115,357</u>	<u>102,209</u>
Current assets			
Stocks	6	95,911	85,804
Debtors: amounts falling due within one year	7	4,738,953	5,002,334
Bank & cash balances		1,004,556	532,349
		<u>5,839,420</u>	<u>5,620,487</u>
Creditors: amounts falling due within one year	8	(1,255,847)	(1,299,875)
Net current assets		<u>4,583,573</u>	<u>4,320,612</u>
Total assets less current liabilities		<u>4,698,930</u>	<u>4,422,821</u>
Creditors: amounts falling due after more than one year	9	(401,667)	(459,958)
		<u>4,297,263</u>	<u>3,962,863</u>
Provisions for liabilities			
Deferred taxation	10	(12,848)	(10,539)
Net assets		<u>4,284,415</u>	<u>3,952,324</u>
Capital and reserves			
Called up share capital		100	100
Profit And Loss Account		4,284,315	3,952,224
		<u>4,284,415</u>	<u>3,952,324</u>

CASTLE MICROWAVE LIMITED
REGISTERED NUMBER: 01874256

BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2021

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

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

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



C R Wright
Director

Date: 29/3/2022

CASTLE MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. General information

Castle Microwave Limited is a private company limited by shares (registered number 01874256) incorporated in England and Wales and domiciled in the UK. Its registered office is 5 The Pentagle, Park Street, Newbury, Berks, RG14 1EA.

The principal activity of the company is the wholesale of electronic and telecommunications equipment and parts.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies.

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

In their assessment of going concern the directors have considered the current and ongoing impact on the business as a result of the COVID-19 virus. They introduced numerous measures to ensure that they have sufficient facilities in place to meet their operating cash requirements.

Having regard to the above, the directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

2.4 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.

CASTLE MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Plant & machinery	- 20% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures & fittings	- 20% reducing balance
Improvements to property	- 20% reducing balance

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.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable 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.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. All basic financial instruments are held at amortised cost.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

CASTLE MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.11 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.12 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.13 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

2.14 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.15 Pensions

Defined contribution pension plan

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 statement of income and retained earnings 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.

CASTLE MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.16 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.

2.17 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of income and retained earnings.

3. Employees

The average monthly number of employees, including the directors, during the year was 16 (2020 - 16).

CASTLE MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

4. Tangible fixed assets

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Improvements to property £	Total £
Cost or valuation					
At 1 July 2020	96,963	39,480	457,529	74,255	668,227
Additions	-	22,980	4,857	18,115	45,952
Disposals	-	(16,990)	-	-	(16,990)
At 30 June 2021	96,963	45,470	462,386	92,370	697,189
Depreciation					
At 1 July 2020	88,544	13,051	408,677	55,946	566,218
Charge for the year on owned assets	1,679	5,915	10,068	6,719	24,381
Charge for the year on financed assets	-	1,133	-	-	1,133
Disposals	-	(9,700)	-	-	(9,700)
At 30 June 2021	90,223	10,399	418,745	62,665	582,032
Net book value					
At 30 June 2021	6,740	35,071	43,641	29,705	115,157
At 30 June 2020	8,419	26,429	48,852	18,309	102,009

The net book value of fixed assets on a hire purchase lease were £33,586 (2020 - £24,450).

5. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2020	200
At 30 June 2021	200

CASTLE MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

6. Stocks

	2021 £	2020 £
Finished goods and goods for resale	<u>95,911</u>	<u>85,804</u>

7. Debtors

	2021 £	2020 £
Trade debtors	497,561	1,091,118
Amounts owed by group undertakings	4,150,421	3,815,724
Other debtors	5,976	160
Prepayments and accrued income	84,995	95,332
	<u>4,738,953</u>	<u>5,002,334</u>

The amounts owed by group undertakings relate to a loan advanced to the ultimate parent company, Connexion Microwave Technologies Limited.

8. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank loans	100,000	45,455
Trade creditors	399,092	332,540
Amounts owed to group undertakings	203	203
Corporation tax	-	39,775
Other taxation and social security	56,799	192,197
Obligations under finance lease and hire purchase contracts	10,413	10,824
Other creditors	494,059	325,358
Accruals and deferred income	195,281	353,523
	<u>1,255,847</u>	<u>1,299,875</u>

Bank loans and other creditors are secured by fixed and floating charges over the property and undertaking of the company.

CASTLE MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

	2021 £	2020 £
Bank loans	391,667	454,545
Obligations under finance leases and hire purchase contracts	10,000	5,413
	<u>401,667</u>	<u>459,958</u>

The bank loan is secured by fixed and floating charges over the property and undertaking of the company. The interest rate of the loan is 1.98% over base rate.

Interest of £10,400 has been covered by the Coronavirus Business Interruption Loan Scheme and has been recognised in other operating income and interest payable.

10. Deferred taxation

	2021 £	2020 £
At beginning of year	10,539	8,364
Charged to profit or loss	2,309	2,175
At end of year	<u>12,848</u>	<u>10,539</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	12,848	10,539
	<u>12,848</u>	<u>10,539</u>

11. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions totalling £4,072 (2020 - £4,383) were payable to the fund at the balance sheet date and are included in creditors.

CASTLE MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

12. Commitments under operating leases

At 30 June 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£	£
Not later than 1 year	61,137	61,137
Later than 1 year and not later than 5 years	169,716	230,853
	230,853	291,990

13. Controlling party

The parent company is Castle Group Holdings Limited, registered office 5 The Pentangle, Park Street, Newbury, Berkshire, RG14 1EA.