

RF2M Ltd

Report and Financial Statements

For the year ended 31 December 2019

Registered Number: 06599432

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COMPANIES HOUSE

Directors and Advisors

Directors

T Hahn

I M Skiggs

Independent Auditors

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Registered No. 06599432

Strategic report

Principal activities and review of the business

The company is a holding company whose subsidiaries are engaged in the design, manufacture and sale of electronic microcircuits. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

There was a profit after tax for the year of £5,040k (2018: £5,340k).

The balance sheet on page 10 of the financial statements shows the company's net assets at the end of the year were £123k (2018: £283k).

Development and performance of the business

The future of the business is dependent on the fortunes of the subsidiaries. In the past year steady progress has been made with the research and development programmes to enhance product offerings and broaden the sectors which the businesses serve, following discussions with existing customers and the market. The entities continued with the structured review process to appraise projects and their potential markets, risks and rewards and recruitment for particular skills consistent with those future targeted areas. Both subsidiaries achieved sales growth, with API Microwave Limited also improving margins.

The profits of the underlying subsidiaries ensure that funding and liquidity is in place for meeting all liabilities. The subsidiaries' performance in 2019 represented consolidation on recent years of growth, with further development of sales reach and product diversity as a continuing target for 2020, and the longer term. During the year dividends were declared from subsidiaries amounting to £5,050k (2018: £6,200k).

Given the nature of the company's activities, being an investment holding company, the directors are of the opinion that analysis using key performance indicators is not applicable for an understanding of the development, performance or position of the business.

On 9 May 2019 the RF1 Holding Company group, of which this group is a part, was sold to AEA Investors LP, a private investment funding group with over \$15 bn of invested and committed capital.

Principal risks and uncertainties

RF2M Ltd is a holding company and as such reliant on the trading performance of its subsidiaries.

The key business risks and uncertainties affecting the Company's subsidiaries are considered to relate to budgetary restrictions in the aerospace and defence markets, particularly within Europe, and to some extent the United States. Work continues on expanding existing capabilities to broaden product offerings, research the application of existing product and technical knowledge to new sectors and develop our own Intellectual Property (IP).

The United Kingdom exit from the European Union is not anticipated to represent a significant business risk. The subsidiaries' capabilities are unique and their products have been specified on a number of significant military programmes. However, as a result of uncertainty around the adequate functioning of product supply chains, forward buying of raw materials and supplies continues to be monitored in order to mitigate any potential supply disruptions, whether from departure from the European Union or pandemic-related constraints in the foreseeable future.

Apprenticeship and graduate training schemes at the subsidiary companies are expected to mitigate any challenges in the recruitment of qualified and experienced staff that may be seen due to the UK exit from the European Union.

Strategic report (continued)

Financial risk management objectives and policies

The company makes use of various financial instruments including loans and cash, as necessary. Management of these financial instruments is directed to providing adequate liquidity for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are currency risk, cashflow and liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous periods.

Currency risk

Currently the company has no exposure to translation and transaction foreign exchange risk. It would be the directors' decision not to formally hedge against currency risk and wherever possible natural hedging is used, however the directors will continue to monitor the company's exposure to currency fluctuations.

Cash flow and liquidity risk

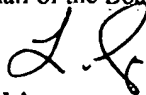
Interest bearing assets include cash balances which earn interest at a floating rate. In order to ensure stability of cash out flows and hence manage interest rate risk, the company has access to fixed interest rate loans from its ultimate parent undertaking, and regularly forecasts cash flows several months forward to monitor outflows and troughs in balances. The company currently holds minimal funds in bank accounts where monies are immediately available, and utilises its relationship with its subsidiary companies to manage its cash needs through inter-company funding.

Interest rate risk

During the year, internal debt with the ultimate parent company has existed on a fixed rate basis. The company's policy is to actively manage interest rate risk on long-term and short-term borrowings while ensuring that the exposure to fixed rates remains within an acceptable range.

The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

On behalf of the Board



I M Skiggs

16 December 2020

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Future developments

The sub-group, of which RF2M Ltd is the holding company, will continue to be involved with the design, development and manufacture of microelectronic technologies and componentry, supplying a diverse range of customers in aerospace, defence, oil & gas and other industrial markets.

Results and dividends

The results for the year are shown in the statement of income and retained earnings on page 9.

The directors proposed and paid dividends of £5,200,000 (2018: £ 4,000,000). No further dividends are proposed.

Directors

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

R J Farrington	(resigned 31 July 2020)
T Hahn	(appointed 23 September 2019)
I M Skiggs	(appointed 15 June 2020)
R E Tavares	(resigned 23 September 2019)

Going concern

RF2M Ltd is a holding company and as such reliant on the trading performance of its subsidiaries. In determining that the Company's and Group's financial statements should be prepared on a going concern basis, the Directors considered all the factors likely to affect the future development, performance and financial position of its subsidiaries, including funding and the risks and uncertainties applicable to its business and manufacturing activities and assessed the company's forecasts and projections, taking account of reasonably possible changes in trading performance. The company has also received confirmation from API Technologies (UK) Limited and API Technologies Corp., the company's intermediate parent companies, that financial support will be provided for a period of at least twelve months from the date of approval of these financial statements such as to enable the company to meet its obligations as they fall due.

Having regard to the above and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Financial instruments

Details of the financial risk management objectives and exposure to risk are included within the strategic report.

Post balance sheet events

The company continues to see core defence related contracts being updated and renewed in line with national defence programmes. However certain relatively small and less significant market segments for the group, including commercial aerospace and petrochemicals have been adversely affected by the Covid-19 pandemic. Directors do not expect the pandemic to have a material impact upon the accounts.

During the Covid-19 pandemic outbreak regular meetings with customers, suppliers, employees and local authorities are taking place to ensure that the company and all stakeholders are able to work safely and minimise the economic and social effects of the pandemic. All API operations have made significant investments installing Covid-secure workspaces alongside rigorous checking in procedures and strict workspace controls.

Directors' report (continued)

Indemnity cover

Indemnity cover was provided for the Directors, through an insurance policy taken out by the US parent company. This was in place at year end and throughout the year and up to the date of signing of the financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

Directors' confirmations

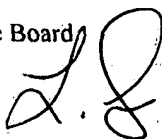
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the company's auditors, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Board



I M Skiggs

Director

16 December 2020

Independent auditors' report to the members of RF2M Ltd

Report on the audit of the financial statements

Opinion

In our opinion, RF2M Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet at 31 December 2019 and the statement of income and retained earnings for the year then ended; 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. 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.

Independent auditors' report to the members of RF2M Ltd (continued)

Reporting on other information (continued)

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 31 December 2019 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 Statement of directors' responsibilities in respect of the financial statements, 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.

Independent auditors' report to the members of RF2M Ltd (continued)

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.



Bree Sherwood (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
16 December 2020

Statement of income and retained earnings

for the year ended 31 December 2019

		<i>Year ended 31 December 2019</i>	<i>Year ended 31 December 2018</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Administrative expenses		(12)	(1,062)
Operating loss	5	(12)	(1,062)
Income from shares in group undertakings		5,050	6,200
Profit before taxation		5,038	5,138
Tax on profit	6	2	202
Profit for the financial year		5,040	5,340
Retained earnings/(accumulated losses) brought forward		272	(1,068)
Dividends		(5,200)	(4,000)
Retained earnings carried forward		112	272

All amounts were derived from continuing operations.

The company has no other comprehensive income other than the results above and therefore no separate statement of comprehensive income has been prepared.

Balance sheet

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	7	-	-
Investments	8	2,746	2,746
		<u>2,746</u>	<u>2,746</u>
Current assets			
Debtors	9	391	545
		<u>391</u>	<u>545</u>
Creditors: amounts falling due within one year	10	(3,014)	(3,008)
Net current liabilities		<u>(2,623)</u>	<u>(2,463)</u>
Total assets less current liabilities		123	283
Net assets		<u>123</u>	<u>283</u>
Capital and reserves			
Called up share capital	11	1	1
Share premium account		10	10
Profit and loss account		112	272
Total shareholders' funds/(deficit)		<u>123</u>	<u>283</u>

The notes on pages 11 to 19 are an integral part of these financial statements.

The financial statements on pages 9 to 19 were approved by the board of directors, signed and authorised for issue on 16 December 2020.

On behalf of the Board of RF2M Ltd:

Registered No. 06599432

I M Skiggs
Director



Notes to the financial statements

for the year ended 31 December 2019

1. General information

RF2M Ltd is an intermediate holding company, owning investments in entities designing, manufacturing and producing RF (radio frequency) and microwave products and providing engineering design consultancy.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is shown on page 1.

2. Statement of compliance

The individual financial statements of RF2M Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and the Companies Act 2006.

3. Accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the periods presented, unless otherwise stated.

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 2. In addition the company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk are also shown in the Directors' Report.

The company and its subsidiaries have considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. In determining that the Company's and Group's financial statements should be prepared on a going concern basis, the Directors considered all the factors likely to affect the future development, performance and financial position of its subsidiaries, including funding and the risks and uncertainties applicable to its business and manufacturing activities and assessed the company's forecasts and projections, taking account of reasonably possible changes in trading performance. The company has also received confirmation from API Technologies (UK) Limited and API Technologies Corp., the company's intermediate parent companies, that financial support will be provided for a period of at least twelve months from the date of approval of these financial statements such as to enable the company to meet its obligations as they fall due.

As a consequence, the directors believe that the company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of certain disclosure exemptions under FRS 102, as it believes the conditions for the exemptions have been complied with. As such the company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its intermediate parent company, API Technologies (UK) Limited, includes the company's cash flows in its consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2019

3. Accounting policies (continued)

- ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements mentioned in i).
- iii) from disclosing transactions with other wholly-owned members of the Group under Section 33.7 of FRS 102.
- iv) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Consolidated Results

The company is a wholly owned subsidiary of API Technologies (UK) Limited. It is included in the consolidated financial statements of API Technologies (UK) Limited, which are publicly available. Therefore the company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The consolidated financial statements are available from the registered office address on page 1.

Foreign currency

The company's functional and presentational currency is Pounds Sterling (£).

Foreign currency transactions are translated into the functional currency using the spot exchange rate on the date of the transaction.

At each period end foreign currency monetary items are translated using a closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gain and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent it relates to items recognised in other comprehensive income or directly in equity.

- i) **Current tax**
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.
- ii) **Deferred tax**
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.
Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.
Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- i) Computer licences - 3 to 5 years

Amortisation is charged to administrative expenses in the profit and loss account. Assets would be reviewed for impairment if any factors indicated that the carrying amount may be impaired.

Notes to the financial statements

for the year ended 31 December 2019

3. Accounting policies (continued)

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned.

Provisions and contingencies

i) Provisions

Provisions are recognised when the company has a present, legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the likely cost can be estimated reliably.

ii) Contingencies

Contingent liabilities are not recognised. These arise as a result of past events when 1) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or 2) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised, but are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is recognised in the profit or loss account.

ii) Financial liabilities

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

Debt instruments are subsequently carried at amortised cost using the effective interest method.

Preference shares, which result in fixed returns to the holder, or are mandatorily redeemable on a specific date, or event, are classified as liabilities.

iii) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or earlier. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

If there is a decrease in an impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements

for the year ended 31 December 2019

3. Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary share or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to shareholders are recognised as an asset, or liability as appropriate, in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and reviewed based on historical experience and other factors, including expectations of future events that are believed to be reasonably foreseen from current circumstances.

Estimates and assumptions

The company makes estimates and assumptions concerning future events. The resulting accounting estimates can, by definition, only be our best assessment of likely out-turns and will seldom equal the corresponding results.

i) Impairment of investments

The company reviews the recoverable value of its investments in subsidiaries, when there is reason to believe, whether through market, economic or other factors, that the value of an investment might be impaired. When considering the valuation of the investment, management considers the future prospects of the underlying entities, sector risks, investment needs and likely results.

5. Operating loss

This is stated after charging:

	<i>Year ended 31 December 2019 £000</i>	<i>Year ended 31 December 2018 £000</i>
Auditors' remuneration – audit fees	4	4
Management fees	-	1,054

The company had no employees in the year (2018: Nil).

The directors received no remuneration for their services to RF2M Ltd in the year (2018: Nil).

Notes to the financial statements

for the year ended 31 December 2019

6. Tax on profit

(a) Tax on profit/(loss) for year

The tax credit is made up as follows:

	<i>Year ended 31 December 2019 £000</i>	<i>Year ended 31 December 2018 £000</i>
Current tax:		
UK corporation tax (credit) on the result for the year	(3)	(203)
Total current tax credit for the year	<u>(3)</u>	<u>(203)</u>
Deferred tax (note 6(c))		
Origination and reversal of timing differences	1	1
Total deferred tax	<u>1</u>	<u>1</u>
Tax credit on profit for year (note 6(b))	<u>(2)</u>	<u>(202)</u>

(b) Factors affecting the tax credit for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.0% (2018 – 19.0%). The differences are explained below:

	<i>Year ended 31 December 2019 £000</i>	<i>Year ended 31 December 2018 £000</i>
Profit before taxation	<u>5,038</u>	<u>5,138</u>
Profit multiplied by standard rate of corporation tax in the UK of 19.0% (2018 – 19.0%)	957	976
Effects of:		
Income not subject to tax	(959)	(1,178)
Tax credit for the year (note 6(a))	<u>(2)</u>	<u>(202)</u>

Notes to the financial statements

for the year ended 31 December 2019

6. Tax on profit (continued)

(c) Deferred taxation

The movement in the deferred tax account during the year was as follows

	<i>Year ended 31 December 2019 £000</i>
At 31 December 2018 – asset	7
Charged to statement of income and retained earnings during the year – note 6(a)	(1)
At 31 December 2019	<u>6</u>

The amounts recognised for deferred taxation are set out below

	<i>2019 £000</i>	<i>2018 £000</i>
Depreciation in excess of capital allowances	6	7
Deferred tax asset	<u>6</u>	<u>7</u>

There are no amounts of unprovided deferred tax.

(d) Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be immaterial.

7. Intangible assets

	<i>Computer Licences £000</i>
Cost	
At 31 December 2018 and 31 December 2019	<u>168</u>
Accumulated amortisation	
At 31 December 2018 and 31 December 2019	<u>168</u>
Net book amount	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>-</u>

Notes to the financial statements

for the year ended 31 December 2019

8. Investments

	<i>Shares in subsidiaries £000</i>
Cost	
At 31 December 2018 and 31 December 2019	<u>2,746</u>
Net book amount	
At 31 December 2018 and 31 December 2019	<u>2,746</u>

Subsidiaries	Country of incorporation	Class of capital	Proportion of shares and voting rights
API Microelectronics Limited	United Kingdom	Ordinary shares of £1 each	100%
API Microwave Limited	United Kingdom	Ordinary shares of £1 each	100%
RF2M Microelectronics Limited *	United Kingdom	Ordinary shares of £1 each	100%
RF2M Microwave Limited *	United Kingdom	Ordinary shares of £1 each	100%

* Dormant entities – were confirmed as struck off on 2 April 2019

Registered Offices

The Registered Office for all four entities above, and RF2M Ltd itself, is and was:

Fenner Road, South Denes, Great Yarmouth, NR30 3PX.

9. Debtors

	<i>2019 £000</i>	<i>2018 £000</i>
Amounts owed by group undertakings	382	335
Corporation tax	3	203
Deferred tax asset	6	7
	<u>391</u>	<u>545</u>

Amounts owed by group undertakings are unsecured, and have no fixed date of repayment and are repayable on demand. Interest rates vary from zero to 4.5% depending on the nature of the borrowing.

The movement and constituent elements of the deferred tax asset are described in Note 6.

Notes to the financial statements

for the year ended 31 December 2019

10. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Preference shares held by parent undertaking	3,001	3,001
Accruals and deferred income	13	7
	<u>3,014</u>	<u>3,008</u>

The company issued 3,000,000 £1 redeemable preference shares on 6 January 2002, in addition to the 1,000 £1 preference shares already in issue at that date.

The preference shares are redeemable upon the sale, listing or winding up of the company and therefore have been recognised as a liability in line with FRS 102.

11. Called up share capital

	No.	2019 £000	No.	2018 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,000	<u>1</u>	1,000	<u>1</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The company paid dividends in the year amounting to £5,200 per share, making in total £5,200,000 (2018: £4,000 per share, making in total £4,000,000).

	No.	2019 £000	No.	2018 £000
<i>Allotted and fully paid</i>				
Preference shares of £1 each	3,001,000	<u>3,001</u>	3,001,000	<u>3,001</u>

The preference shares are classified as liabilities in the balance sheet.

12. Post balance sheet events

The company continues to see core defence related contracts being updated and renewed in line with national defence programmes. However certain relatively small and less significant market segments for the group, including commercial aerospace and petrochemicals have been adversely affected by the Covid-19 pandemic. Directors' do not expect the pandemic to have a material impact upon the accounts.

During the Covid-19 pandemic outbreak regular meetings with customers, suppliers, employees and local authorities are taking place to ensure that the company and all stakeholders are able to work safely and minimise the economic and social effects of the pandemic. All API operations have made significant investments installing Covid-secure workspaces alongside rigorous checking in procedures and strict workspace controls.

Notes to the financial statements

for the year ended 31 December 2019

13. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking at 31 December 2019 was API Technologies (UK) Limited, which owns 100% of the issued share capital of RF2M Ltd.

The ultimate parent undertaking and controlling party was considered to be RF1 Holding Company, a company incorporated in Delaware, USA. This was the largest group into which the results of RF2M Ltd were consolidated. On 9 May 2019 the ownership changed (see Directors' Report) and the ultimate parent company became API Holdings I Corp, a company also incorporated in Delaware, USA.

RF2M Ltd results are incorporated into the consolidated financial statements of API Technologies (UK) Limited, the ultimate UK-domiciled entity; this is the smallest group to consolidate these financial statements. Copies of these are available from the registered address on page 1.