

Registered number: SC094479

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TRAK MICROWAVE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

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TRAK MICROWAVE LIMITED

COMPANY INFORMATION

Directors	A McNeill R Torsiello (resigned 19 July 2018) E Lakin (appointed 19 July 2018)
Registered number	SC094479
Registered office	29 Dunsinane Avenue Dundee DD2 3QF
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 141 Bothwell Street Glasgow G2 7EQ

TRAK MICROWAVE LIMITED

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TRAK MICROWAVE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2018

Introduction

TRAK Microwave Limited is a Limited Liability Company registered in Scotland.

Business review

The Company continues to pursue its overarching strategies of geographic and application diversity with an emphasis on supporting potential customers recognised as experts in their field. Successful execution of these strategies requires the Company to demonstrate staff expertise and competence equivalent to that maintained by its customer base.

The sale of the Kaelus business to Infinite Electronics Inc. was completed on 01 May 2017. As part of the sale agreement TRAK continued to provide transitional services to the new owners including a physical presence on site complemented by logistical support. This arrangement was concluded at the end of the Company's 2017/18 fiscal year but minor points have continued past this date into the 2018-19 fiscal year.

Throughout the year the space market continued to soften with fewer prime contract awarded globally which impacted flow down orders for the Company. The defence business showed strong growth in terms of orders but were insufficient to counter the reduced space demand. Company profitability was impacted by the change in the business mix and changes to the business structure that has been established within the Company's parent organisation.

TRAK MICROWAVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company remain: Competition, the timing and funding of major projects and the continued desire for a stream of innovative products.

TRAK operates in global industries which demand continuous technological innovation. Product superiority, once the dominant factor, remains important but is only one of several discriminators which TRAK uses to promote its products. Markets are moving towards value creation (traditionally a subjective mix of innovation, service, support and schedule adherence) as a selection criteria to identify their future strategic partners. TRAK's product development pipeline is aimed at satisfying this value creation and is critical to TRAK's future business. Investment in anticipation of future demand and capability remains a high priority leading to future business advantage is becoming part of that "mix".

While new or improved technologies and products do involve certain risks TRAK has demonstrated it is adept in managing downside outcomes and mitigating any impacts by leveraging a combination of close personal business contacts with key decision makers in core customers, an in depth market knowledge and an understanding of its own and those of our competitors strengths and weaknesses.

The consequences of Brexit are uncertain. Potential effects applicable to many businesses include economic and operational uncertainty, volatility of currency exchange, regulatory changes and the imposition of tariffs on trade between the UK and the Eurozone. Ongoing negotiations between the UK and the EU are being monitored in order to assess the potential impact of Brexit and any transitional arrangements that may be agreed.

There is disruption to the orbital asset investment/replacement cycle as satellite operators look to alternative data delivery strategies (moving from geostationary to lower earth orbit constellations). While opportunities have been identified to take advantage of these market changes the availability of funding for these new systems is unclear, creating general uncertainty within the space community as to the timing of these opportunities.

Targeted cost savings

TRAK continues to strive to improve profitability through increased productivity and efficiency. This generally involves reducing costs within the internal and external supply chains and efforts have been largely successful despite pressures created by currency weakness affecting raw and processed material prices, despite costs increasing in the year.

Manufacturing efficiency is a focus area with year on year improvements sought through the routine review of operational performance, by the effective control of the manufacturing and design processes and focused and intelligent capital investment.

Global political and economic conditions

TRAK operates in the space, defence, medical oncology and avionics industrial sectors providing components for long term, capital intensive projects. These markets are global in scope and are becoming increasingly competitive. The uncertainty experienced over recent years, due to governments spending priorities and constraints, showed continued signs of abating with positive impacts being felt on the order intake and general enquiry levels. TRAK continues to desensitise the business to its reliance on UK/EU spending by actively pursuing markets in commercial space business in India, Japan and the USA where progress has continued to be made, positively impacting revenues and the scheduled order backlog. Structural changes within the Smiths Interconnect division have directly resulted in the expansion of the internal and external sales channels globally with focus placed on markets deemed accessible and attractive to TRAK.

Looking forward the global markets are expected to remain broadly the same over the coming few years with growth created by increasing market share through the creation of value as measured by our customers.

TRAK MICROWAVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2018

Financial key performance indicators

The directors of Smiths Group plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of TRAK. The development, performance and position of the Interconnect division of Smiths Group plc, which includes the Company, is discussed separately in the group's annual report which does not form part of this report.

Other key performance indicators

The company invested throughout fiscal year 2016/2017 retaining its AS9100 accreditation; a highly regarded standard used in the commercial and defense Aerospace and Aviation markets. This standard requires that the Company use a variety of business and market specific metrics to drive improvement in the operation generally. These metrics include, but are not limited to, a focus on schedule adherence, product quality and material costs while the front end of the business uses a variety of service centric measures designed to align the company to customer's specific and general demands.

This report was approved by the board on 9 January 2019 and signed on its behalf.



A McNeill
Director

TRAK MICROWAVE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2018

The Directors present their report and the financial statements for the year ended 31 July 2018.

Directors' responsibilities statement

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 101 "Reduced Disclosure Framework", and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing 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 101, 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.

Results and dividends

The profit for the year, after taxation, amounted to £771 thousand (2017 - £2,097 thousand).

No dividend was paid in the year ended 31 July 2018 (2017 - no dividends) and no final dividend is proposed.

Directors

The Directors who served during the year were:

A McNeill
R Torsiello (resigned 19 July 2018)
E Lakin (appointed 19 July 2018)

Future developments

It is not envisioned that the Company will restructure its activities in the forthcoming year. The current level of performance is expected to be maintained

TRAK MICROWAVE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2018**

Disclosure of information to auditors

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

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

Post balance sheet events

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

Auditors

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

This report was approved by the board on 9 January 2019 and signed on its behalf.



A McNeill
Director

TRAK MICROWAVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAK MICROWAVE LIMITED

Independent auditors' report to the members of TRAK Microwave Limited

Report on the audit of the financial statements

Opinion

In our opinion, TRAK Microwave Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 July 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity 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 when:

- 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.

TRAK MICROWAVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAK MICROWAVE LIMITED

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.

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 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

TRAK MICROWAVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAK MICROWAVE LIMITED

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.

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.



Sharron Moran (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
09 January 2019

TRAK MICROWAVE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2018**

		Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000	Continuing operations 2017 £000	Discontinued operations 2017 £000	Total 2017 £000
Note							
Turnover	4	7,349	2,393	9,742	8,271	2,214	10,485
Cost of sales		(4,662)	(2,393)	(7,055)	(4,860)	(1,488)	(6,348)
Gross profit		2,687	-	2,687	3,411	726	4,137
Distribution costs		(391)	-	(391)	(343)	(439)	(782)
Administrative expenses		(1,653)	-	(1,653)	(1,473)	(125)	(1,598)
Operating profit	5	643	-	643	1,595	162	1,757
Profit/(loss) on disposal of investments		-	-	-	1,003	(751)	252
Interest receivable and similar income	9	46	-	46	43	-	43
Interest payable and expenses		-	-	-	2	(2)	-
Other finance income		34	-	34	(11)	-	(11)
Profit / (Loss) before tax		723	-	723	2,632	(591)	2,041
Tax on Profit/(Loss)	10	48	-	48	56	-	56
Profit and Total Comprehensive Income for the Year		771	-	771	2,688	(591)	2,097

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £000).

The notes on pages 12 to 27 form part of these financial statements.

TRAK MICROWAVE LIMITED
REGISTERED NUMBER: SC094479

BALANCE SHEET
AS AT 31 JULY 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets			610		503
			<u>610</u>		<u>503</u>
Current assets					
Stocks	12	498		490	
Debtors: amounts falling due after more than one year	13	-		9,875	
Debtors: amounts falling due within one year	13	12,220		2,761	
Cash at Bank and In Hand		563		480	
		<u>13,281</u>		<u>13,606</u>	
Creditors: amounts falling due within one year	15	(1,665)		(2,685)	
Net current assets			<u>11,616</u>		<u>10,921</u>
Total assets less current liabilities			<u>12,226</u>		<u>11,424</u>
Net assets			<u><u>12,226</u></u>		<u><u>11,424</u></u>
Capital and reserves					
Called up share capital	17		2,898		2,898
Other reserves	18		77		46
Profit and loss account	18		9,251		8,480
			<u>12,226</u>		<u>11,424</u>

The financial statements on pages 9 to 27 were approved and authorised for issue by the board and were signed on its behalf on 9 January 2019.


A McNeill
 Director

The notes on pages 12 to 27 form part of these financial statements.

TRAK MICROWAVE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 August 2017	2,898	46	8,480	11,424
Comprehensive income for the year				
Profit for the year	-	-	771	771
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	771	771
Capital contribution	-	31	-	31
Total transactions with owners	-	31	-	31
At 31 July 2018	2,898	77	9,251	12,226

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2017**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 August 2016	2,898	22	6,383	9,303
Comprehensive income for the year				
Profit for the year	-	-	2,097	2,097
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	2,097	2,097
Capital contribution	-	24	-	24
Total transactions with owners	-	24	-	24
At 31 July 2017	2,898	46	8,480	11,424

The notes on pages 12 to 27 form part of these financial statements.

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

1. General information

The Company is a trading Company, designing, manufacturing and selling sophisticated high frequency components and sub-systems for radar and communications applications.

The Company is a Limited company registered and domiciled in Scotland. Its registered Office is 29 Dunsinane Avenue, Dundee. DD2 3QF

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

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 years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- 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

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.7 Discontinued Operations

A discontinued operation is either:

- A component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale; or
- A business acquired solely for the purpose of selling it.

Discontinued operations are presented on the Statement of Comprehensive Income as a separate column.

2.8 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 Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Taxation

Tax is recognised in the Statement of Comprehensive Income, 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.

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.10 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	10%
Plant and machinery	-	15%
Fixtures and fittings	-	20%

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 the Statement of Comprehensive Income.

2.11 Stocks

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

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

2.12 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.

2.13 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.

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.14 Creditors

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

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

2. Accounting policies (continued)

2.15 Financial instruments (continued)

Fair value through profit or loss

The Company comprises only out-of-the-money derivatives. They are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

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

Trade debtors provisions - If the carrying value of any debtor is higher than the fair value, the Company makes provisions writing down the balance to its fair value. The fair value of debtors is considered individually for each customer and incorporates past experience and progress with collecting receivables. At 31 July 2018 the gross value of trade debtors partly provided for or more than three months overdue was £127,000 (2017 £54,000) and there were provisions of £46,000 (2017 £12,000) against these receivables. Consequently, these receivables were carried at a net value of £81,000 (2017 £42,000)

Stock Provisions - The calculation of stock provisions requires judgement by management if the expected value of future sales. If the carrying value of stock is higher than the expected recoverable value, the Company makes provisions writing stock down to its net recoverable value. Stock is initially assessed for impairment by comparing stock levels to recent utilisation rates and carrying values to historical selling prices. A detailed review is completed for stock lines identified in the initial assessment considering sales activity, order flow, customer contracts and current selling prices. At 31 July 2018, there were provisions of £75,000 (2017 £79,000) against gross inventory of £573,000 (2017 £569,000). A 10% increase in the proportion of raw materials provided for would increase the provision by £46,000 (2017 £49,000) and a 10% increase in the proportion of finished goods provided for would increase the provision by £1,000 (2017 £1,000)

TRAK MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
External	9,481	10,216
Intergroup	261	269
	9,742	10,485

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	2,513	2,451
Rest of Europe	4,144	4,884
Rest of the World	3,085	3,150
	9,742	10,485

5. Operating profit

The operating profit is stated after charging / (crediting):

	2018 £000	2017 £000
Research & development charged as an expense	163	64
Depreciation of tangible fixed assets	117	112
Exchange differences	(12)	6
Defined contribution pension cost	111	132
Cost of stocks recognised as an expense	(5)	(67)

TRAK MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £000	2017 £000
Fees for the audit of the Company	33	44
	<u>33</u>	<u>44</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group financial statements of the parent Company.

7. Employees

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

	2018 £000	2017 £000
Wages and salaries	2,661	2,750
Social security costs	321	291
Defined contribution pension costs	111	132
	<u>3,093</u>	<u>3,173</u>

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

	2018 No.	2017 No.
Direct Labour	34	33
Factory Overheads	21	21
Sales and Marketing	5	5
Research and Development	9	7
General Administration	3	4
	<u>72</u>	<u>70</u>

TRAK MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

8. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	177	164
Company contributions to defined contribution pension schemes	9	9
	186	173

During the year retirement benefits were accruing to 1 Director (2017 - 1) in respect of defined contribution pension schemes.

9. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group companies	46	43
	46	43

10. Tax on profit / (loss)

	2018 £000	2017 £000
Corporation tax		
Current tax on profits or losses for the year	(48)	(56)
Total current tax	(48)	(56)

TRAK MICROWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

10. Tax on profit / (loss) (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.67%). The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	723	2,041
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.67%)	137	403
Effects of:		
Expenses not allowable for Tax	19	21
Adjustment in research and development tax credit leading to a (decrease) in the tax charge	(67)	(45)
Group relief	(137)	(435)
Total tax credit for the year	(48)	(56)

Factors that may affect future tax charges or credits

Smiths Group does not require UK companies to compensate the surrendering company for the receipt of group relief. As a result no payments or receipts in respect of group relief have been accrued in the current or previous year, and no payments or receipts will be made for group relief in future years while this policy remains in force.

The UK government has cut the Corporation Tax rate to 19% for the 2018/19 tax year and announced it intends to reduce the rate to 17% by 2020. If the Company pays tax in the future, and these rates are still in force, the Company will benefit from lower tax payments.

TRAK MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

11. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 August 2017	716	741	118	1,575
Additions	-	229	-	229
Disposals	(18)	-	(1)	(19)
At 31 July 2018	<u>698</u>	<u>970</u>	<u>117</u>	<u>1,785</u>
Depreciation				
At 1 August 2017	512	485	75	1,072
Charge for the year on owned assets	20	72	25	117
Disposals	(13)	-	(1)	(14)
At 31 July 2018	<u>519</u>	<u>557</u>	<u>99</u>	<u>1,175</u>
Net book value				
At 31 July 2018	<u>179</u>	<u>413</u>	<u>18</u>	<u>610</u>
At 31 July 2017	<u>204</u>	<u>256</u>	<u>43</u>	<u>503</u>

12. Stocks

	2018 £000	2017 £000
Raw materials and consumables	382	410
Work in progress (goods to be sold)	108	74
Finished goods and goods for resale	8	6
	<u>498</u>	<u>490</u>

TRAK MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

13. Debtors

	2018 £000	2017 £000
Amounts falling due after more than one year		
Amounts owed by group undertakings	-	9,875
	<u>-</u>	<u>9,875</u>
	<u>-</u>	<u>9,875</u>

Amounts owed by group undertakings comprise sterling loans repayable by 31 July 2019, earning interest at 12 month GBP LIBID (basic deposit rate)

	2018 £000	2017 £000
Amounts falling due within one year		
Trade debtors	1,402	1,542
Amounts owed by group undertakings	10,490	5
Other debtors	274	226
Prepayments and accrued income	54	988
	<u>12,220</u>	<u>2,761</u>
	<u>12,220</u>	<u>2,761</u>

Amounts owed by group undertakings are due within 30 days of month end, earning no interest

14. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	563	480
	<u>563</u>	<u>480</u>
	<u>563</u>	<u>480</u>

TRAK MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

15. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	908	1,313
Amounts owed to group undertakings	39	47
Other taxation and social security	69	74
Other creditors	184	84
Accruals and deferred income	465	1,167
	<u>1,665</u>	<u>2,685</u>

Amounts owed to group undertakings are due within 30 days of month end, earning no interest

16. Financial instruments

	2018	2017
	£000	£000
Financial assets		
Financial assets measured at fair value through profit or loss	563	480
Financial assets that are debt instruments measured at amortised cost	12,001	11,476
Financial assets that are equity instruments measured at cost less impairment	-	-
	<u>12,564</u>	<u>11,956</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(1,526)</u>	<u>(2,527)</u>

Financial assets measured at fair value through profit or loss comprise bank balances

Financial assets measured at amortised cost comprise intercompany balances and relevant other debtors and prepayments.

Financial liabilities measured at amortised cost comprise trade and intercompany creditors and relevant accruals.

TRAK MICROWAVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

17. Called up Share capital

	2018	2017
	£000	£000
Authorised, allotted, called up and fully paid		
2,898,000 (2017 - 2,898,000) Ordinary shares of £1.00 each	2,898	2,898

18. Reserves

Other reserves

The capital contributions resulting from the provision of Group share option schemes have been recognised in the Statement of Comprehensive Income.

Profit and loss account

The Profit in the FY 2018 of £771,000 took the FY 2017 from £8,480,000 to FY 2018 £9,251,000

19. Pension commitments

The Company operates a defined contributions pension scheme plan for its employees. The total expense recognised in the Statement of Comprehensive Income in respect of defined contribution pensions was £111,000 (2017 - £132,000). At 31 July 2018 contributions totaling £2,376 (2017 - £16,517) were payable to the fund at the balance sheet date.

20. Controlling party

For the year ended 31 July 2018, TRAK Microwave Limited was a wholly owned subsidiary of Smiths Interconnect Group Limited. The ultimate parent company and controlling party is Smiths Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Smiths Group plc is incorporated in the United Kingdom and registered in England and Wales. The annual report and accounts of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, 4th Floor, 11-12 St. James's Square, London. SW1Y 4LB