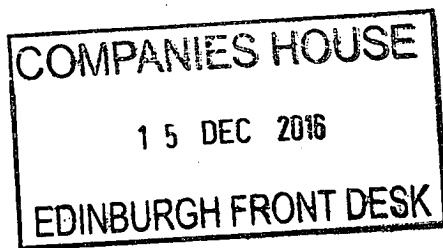


Registration number: SC074001

# MESL Microwave Limited

Annual Report and Financial Statements  
for the Year Ended 31 December 2015



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# MESL Microwave Limited

## Company Information

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<b>Directors</b>	A R V Hutchings S R McCormack
<b>Registered office</b>	Lochend Industrial Estate Queen Anne Drive Newbridge Midlothian EH28 8LP
<b>Solicitors</b>	Davidson Chalmers LLP 12 Hope Street Edinburgh EH2 4DB
<b>Bankers</b>	Barclays Commercial Bank Aurora First floor, 120 Bothwell Street Glasgow G2 7JT

# MESL Microwave Limited

## Strategic Report for the Year Ended 31 December 2015

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The directors present their strategic report for the year ended 31 December 2015.

### Principal activity

The principal activity of the company up until 31 July 2015 was the development, manufacture and marketing of microwave and electronic components and subsystems for the wireless communications, avionics, radar and space markets. The company has ceased to trade from 1 August 2015.

### Transition to FRS 101

During the year the company transitioned from previously extant UK GAAP to FRS101 'Reduced Disclosure Framework' and has taken advantage of the disclosure exemptions allowed under this standard. The company's ultimate parent undertaking, Honeywell International Inc., was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. All recognition or measurement differences arising on the adoption of FRS101 are shown in note 28.

### Fair review of the business

On 31 July 2015, the trade and assets of the company were sold to the Com Dev Europe Limited, a fellow subsidiary undertaking, at book value. The company subsequently paid a dividend of £4,238,000 to MESL Holdings Limited. It is the intention of the shareholders to liquidate MESL Microwave Limited in the near future. The directors have therefore prepared the financial statements on a break-up basis.

The company traded until 31 July and turnover for that period was £3,850k (year to 31 December 2014 - £8,146k). The decrease in sales from the prior year largely reflects the reduced accounting period. Growth was inhibited by timing in the placement of significant contracts in the defence market due to many governments delaying expenditure due to pressure on public expenditure. The business has now ceased trading with all long term contracts and customer relationships transferred to Com Dev Europe Ltd.


The company's key financial and other performance indicators during the year were as follows:

	Unit	2015	2014
Turnover	£ 000	3,850	8,146
Gross profit	%	13	11
Operating loss	£ 000	(133)	(82)
Employees	No.	54	95

### Principal risks and uncertainties

On 31 December 2014 the company was acquired by Com Dev International Limited and the decision was made to wind up the company and hive across the assets and liabilities to Com Dev Europe Ltd. The company transferred its assets to Com Dev Europe Limited and ceased trading on 31 July 2015 and is no longer a going concern. The risk and uncertainties now sit with Com Dev Europe Limited.

Approved by the Board on 13 December 2016 and signed on its behalf by:

  
S R McCormack  
Director

# MESL Microwave Limited

## Directors' Report for the Year Ended 31 December 2015

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The directors present their report and the financial statements for the year ended 31 December 2015.

### **Directors' of the company**

The directors, who held office during the year, were as follows:

G T Calhoun (resigned 4 February 2016)

C D'Cruze (resigned 8 February 2016)

R P Spurrett (resigned 5 February 2016)

J R Stuart (resigned 4 February 2016)

The following directors were appointed after the year end:

A R V Hutchings (appointed 8 February 2016)

S R McCormack (appointed 8 February 2016)

G W Fraser (appointed 8 February 2016 and resigned 7 October 2016)

### **Dividends**

An interim dividend of £4,238,000 was paid during the year. The directors do not recommend the payment of a final dividend (2014 - £nil).

### **Future developments**

The company is not expected to trade in the foreseeable future and it is the intention of the shareholders to liquidate the company.

### **Research and development**

Until 31 July 2015, and the sale of the trade and assets of the business, the company continued to invest in research and development, to support the markets in which it operates. The R&D activity was split between new product development for existing and new commercial customers, technology advances appropriate to our business areas, and seeking to extend the product/market range.

### **Going concern**

The directors have considered the appropriateness of preparing the financial statements on a going concern basis. However following the decision to liquidate the company, this is no longer considered appropriate. The financial statements are therefore prepared on a break-up basis, resulting in the reclassification of the non-current assets and liabilities as current assets and liabilities where necessary.

### **Disclosure of information to the auditors**

Each director has taken 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

### **Disclosure requirements**

In accordance with the Companies Act 2006, section 414C(11), the company's Strategic Report contains certain disclosures required in the Directors' Report.

Approved by the Board on 13 December 2016 and signed on its behalf by:



S R McCormack  
Director

# MESL Microwave Limited

## Statement of Directors' Responsibilities

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The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# MESL Microwave Limited

## Profit and Loss Account for the Year Ended 31 December 2015

	Note	Discontinued 2015 £ 000	2014 £ 000
Turnover	4	3,850	8,146
Cost of sales		<u>(3,364)</u>	<u>(7,272)</u>
Gross profit		486	874
Distribution costs		(293)	(738)
Administrative expenses		(416)	(314)
Other operating income	5	<u>90</u>	<u>96</u>
Operating loss	7	(133)	(82)
Other interest receivable and similar income	8	-	24
Interest payable and similar charges	9	<u>(25)</u>	<u>(34)</u>
Loss before tax		(158)	(92)
Tax on loss	12	<u>-</u>	<u>(245)</u>
Loss for the year		<u><u>(158)</u></u>	<u><u>(337)</u></u>

The current year results were derived from discontinuing operations.

### Statement of Comprehensive Income

The company has no other comprehensive income for the year other than the results above.

# MESL Microwave Limited

(Registration number: SC074001)

## Balance Sheet as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
<b>Fixed assets</b>			
Tangible assets	13	-	101
<b>Current assets</b>			
Stocks	15	-	907
Debtors	16	818	6,060
Other financial assets	17	-	24
Cash at bank and in hand		43	2
		<u>861</u>	<u>6,993</u>
<b>Creditors: Amounts falling due within one year</b>	18	<u>-</u>	<u>(1,837)</u>
<b>Net current assets</b>		<u>861</u>	<u>5,156</u>
<b>Net assets</b>		<u>861</u>	<u>5,257</u>
<b>Capital and reserves</b>			
Called up share capital	21	-	6,001
Share premium reserve		-	608
Profit and loss account		<u>861</u>	<u>(1,352)</u>
<b>Shareholders' funds</b>		<u>861</u>	<u>5,257</u>

Approved by the Board on 13 December 2016 and signed on its behalf by:



S R McCormack  
Director

# MESL Microwave Limited

## Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2015	6,001	608	(1,352)	5,257
Loss for the year	-	-	(158)	(158)
Dividends	-	-	(4,238)	(4,238)
Share capital reduction	<u>(6,001)</u>	<u>(608)</u>	<u>6,609</u>	<u>-</u>
At 31 December 2015	<u>-</u>	<u>-</u>	<u>861</u>	<u>861</u>

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2014	6,001	608	(1,015)	5,594
Loss for the year	-	-	(337)	(337)
At 31 December 2014	<u>6,001</u>	<u>608</u>	<u>(1,352)</u>	<u>5,257</u>



# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015

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### 1 General information

The company is a private company limited by share capital incorporated and domiciled in Scotland.

The address of its registered office is:

Lochend Industrial Estate  
Queen Anne Drive  
Newbridge  
Midlothian  
EH28 8LP

These financial statements were authorised for issue by the Board on 13 December 2016.

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

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

#### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. For the periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with previously extant UK Generally Accepted Accounting Practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the company has prepared in accordance with FRS 101 Reduced Disclosure Framework. See note 28 for further details of the transition.

These financial statements contain certain estimated values. They will be superseded by full, audited accounts.

The company's financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

#### Summary of disclosure exemptions

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

- the requirements of IFRS 7 'Financial Instruments: Disclosures'
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations'
- the requirements of Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement)
- the requirements of Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements
- 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' ( requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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### 2 Accounting policies (continued)

- the requirements of Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation)
- the requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- the requirements of the following paragraphs of IAS 1 'Presentation of financial statements':
  - (a) 10(d), (statement of cash flows)
  - (b) 10(f), (statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - (c) 16 (statement of compliance with IFRS)
  - (d) 38A (requirement for minimum of two primary statements, including cash flow statements)
  - (e) 38B-D (additional comparative information)
  - (f) 40A-D (requirements for a third statement of financial position)
  - (g) 111 (cash flow statement information), and
  - (h) 134-136 (capital management disclosures).

### Going concern

The financial statements have not been prepared on a going concern basis. Instead they have been prepared on a break-up basis reflecting the intention to wind up the company. Accordingly, adjustments have been made to provide for any further liabilities which will arise, and to reclassify fixed assets and long-term liabilities as current assets and liabilities where necessary.

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when: (i) the amount of revenue can be reliably measured; (ii) it is probable that future economic benefits will flow to the entity; and (iii) specific criteria have been met for each of the company activities.

Profit is recognised on long-term contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that portion of total contract value which costs to date bear to total expected costs of that contract.

### Grants

Grants are recognised when there is reasonable assurance that the company will comply with the conditions attached and that the grants will be received.

### Finance income and costs policy

Finance income consists of income from cash investments and equivalents. Interest income is recognised in the profit and loss account when earned, using the effective interest method.

Finance costs consist of interest payable on borrowings calculated using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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### 2 Accounting policies (continued)

#### Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

#### Research and development

Private venture research and development expenditure is written off in the year in which it is incurred. Research and development which is fully funded by customers which is yet to be invoiced is carried forward as work in progress.

#### Tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

##### Asset class

Plant and machinery  
Computer equipment  
Furniture and fittings  
Motor vehicles  
Test gear

##### Depreciation method and rate

10% straight line basis  
33% straight line basis  
10% straight line basis  
25% straight line basis  
15% straight line basis

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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### 2 Accounting policies (continued)

#### **Impairment of non-financial assets**

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the profit and loss account.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **Trade debtors**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Stock**

Stocks and work in progress are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting 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.

#### **Long term contracts**

The attributable profit on long term contracts is recognised once their outcome can be assessed with reasonable certainty and is defined using the proportion of labour and materials used at the balance sheet date compared to the total expected costs for the contract.

Amounts recoverable on long-term contracts are included in debtors and are stated at the net sales value of the work in progress payments on account. Progress payments received in advance of work commencing are included in creditors as payments on account. Where contracts are expected to show a loss then full provision is made of the estimated costs to complete on the contract.

#### **Trade creditors**

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 less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

#### **Provisions**

Provision is made for liabilities arising in respect of specific warranty claims. Provisions are recognised when the company has a present obligation as a result of a past event and it is probable the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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### 2 Accounting policies (continued)

#### Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

#### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid into publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

### 3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation means that the actual outcomes could differ from those estimates. The estimates and assumptions that are significant to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### Revenue recognition

The company uses the percentage of completion method in accounting for its long term contracts. Use of the percentage of completion method requires the company to estimate the work completed to date as a proportion of the total contract, which is subject to a level of judgement.

#### Warranty provision

Provision is made for warranty costs based on managements' best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing and discount rates used to establish net present value of the obligations require management's judgement.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 4 Turnover

The analysis of the company's turnover for the year from operations is as follows:

	2015 £ 000	2014 £ 000
Sale of goods	3,850	8,146

The analysis of the company's turnover for the year by market is as follows:

	2015 £ 000	2014 £ 000
UK	265	1,379
Europe	2,585	4,159
Rest of world	1,000	2,608
	3,850	8,146

### 5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2015 £ 000	2014 £ 000
Government grants	90	96

### 6 Auditors' remuneration

	2015 £ 000	2014 £ 000
Audit of the financial statements	10	17
Audit of the parent company financial statements	4	3
	14	20

#### Other fees to auditors

Taxation compliance services	10	-
Tax compliance fees for parent company	4	-
	14	-

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 7 Operating loss

Arrived at after charging/(crediting)

	2015 £ 000	2014 £ 000
Depreciation expense	40	86
Foreign exchange (losses)/gains	(289)	92
Operating lease expense - property	138	203
Operating lease expense - plant and machinery	12	25
Profit on disposal of property, plant and equipment	(5)	-

### 8 Other interest receivable and similar income

	2015 £ 000	2014 £ 000
Gain on derivative financial instruments	-	24

### 9 Interest payable and similar charges

	2015 £ 000	2014 £ 000
Interest on bank overdrafts and borrowings	-	21
Interest on obligations under finance leases and hire purchase contracts	1	4
Loss on derivative financial instruments	24	-
Other interest payable	-	9

### 10 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2015 £ 000	2014 £ 000
Wages and salaries	1,843	3,062
Social security costs	181	302
Pension costs, defined contribution scheme	192	316

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 10 Staff costs (continued)

	2015 No.	2014 No.
Production/engineering	38	64
Distribution	5	8
Sales	3	5
Administration and support	9	16
	<u>55</u>	<u>93</u>

### 11 Directors' remuneration

The directors' remuneration for the year was as follows:

	2015 £ 000	2014 £ 000
Remuneration	129	325
Contributions paid to money purchase schemes	10	29
	<u>139</u>	<u>354</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2015 No.	2014 No.
Received or were entitled to receive shares under long term incentive schemes	3	-
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>4</u>

In respect of the highest paid director:

	2015 £ 000	2014 £ 000
Remuneration	47	117
Company contributions to money purchase pension schemes	<u>4</u>	<u>10</u>

Certain directors did not receive any fees or emoluments in respect of their services to the company in the current year, as their roles are incidental to their roles as directors or officers of other companies within the group.



# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 12 Income tax

Tax charged/(credited) in the profit and loss account

	2015 £ 000	2014 £ 000
<b>Current taxation</b>		
UK corporation tax	-	(33)
UK corporation tax adjustment to prior periods	-	(20)
	-	(53)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	-	298
Tax expense in the profit and loss account	-	245

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2014 - lower than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
Loss before tax	(158)	(92)
Corporation tax at standard rate	(32)	(20)
Increase (decrease) in current tax from adjustment for prior periods	-	(20)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	32	5
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	-	355
Increase (decrease) from effect of adjustment in research development tax credit	-	(75)
Total tax charge	-	245

In his budget of 2015, the Chancellor of the Exchequer proposed a decrease in the rate of main UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. These rates were substantively enacted on 26 October 2015 and, in accordance with accounting standards, has been reflected in the company's financial statements in the current year. In March 2016 a further decrease in the rate to 17% was announced, however this change has not currently been substantively enacted.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 13 Tangible assets

	Motor Vehicles, Furniture, Fittings and IT £ 000	Plant, Machinery and Test Gear £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2015	1,175	3,028	4,203
Additions	328	100	428
Disposals	(1,503)	(3,128)	(4,631)
At 31 December 2015	-	-	-
<b>Depreciation</b>			
At 1 January 2015	1,140	2,962	4,102
Charge for the year	19	21	40
Eliminated on disposal	(1,159)	(2,983)	(4,142)
At 31 December 2015	-	-	-
<b>Carrying amount</b>			
At 31 December 2015	-	-	-
At 31 December 2014	35	66	101

### Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2015 £ 000	2014 £ 000
Plant, Machinery and Test Gear	-	23
Motor Vehicles, Furniture, Fittings and IT	-	10
	-	33

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 14 Disposals

On 31 July 2015, the company sold its trade and assets to Com Dev Europe Limited, a fellow group undertaking, at book value. Consideration of £817,000 was received in the form of an intercompany debtor due from Com Dev Europe Limited.

	Book value at 31 July 2015 £ 000
<b>Assets and liabilities disposed of:</b>	
Tangible assets	489
Stock	1,766
Debtors	654
Creditors	(2,079)
Current tax liability	(13)
	<u>817</u>

No gain or loss arose on the disposal of the trade and assets of the company, calculated as the proceeds of disposal less the carrying amount of the company's net assets.

### 15 Stock

	2015 £ 000	2014 £ 000
Raw materials and consumables	-	264
Work in progress	-	643
	<u>-</u>	<u>907</u>

The cost of stock recognised as an expense in the year amounted to £2,613,000 (2014 - £4,857,000). This is included within cost of sales.

The amount of write-down of stock recognised as an expense in the year is £1,000 (2014 - £61,000). This is included within cost of sales.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 16 Trade and other debtors

	2015 £ 000	2014 £ 000
Trade debtors	-	1,484
Amounts owed by group undertakings	818	4,239
Prepayments	-	26
Other debtors	-	311
Total current trade and other debtors	<u>818</u>	<u>6,060</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 17 Other financial assets

	2015 £ 000	2014 £ 000
<b>Current financial assets</b>		
Derivative financial instruments	<u>-</u>	<u>24</u>

### 18 Creditors: amounts falling due within one year

	2015 £ 000	2014 £ 000
Loans and borrowings	-	9
Trade creditors	-	1,162
Social security and other taxes	-	87
Outstanding defined contribution pension costs	-	41
Other creditors	-	129
Income tax liability	-	13
Accrued expenses	-	396
	<u>-</u>	<u>1,837</u>

### 19 Loans and borrowings

	2015 £ 000	2014 £ 000
<b>Current loans and borrowings</b>		
Finance lease liabilities	<u>-</u>	<u>9</u>

Finance lease liabilities were secured over the assets to which they related.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 20 Obligations under leases and hire purchase contracts

#### Finance leases

The present values of future finance lease payments are analysed as follows:

	2015 £ 000	2014 £ 000
Current liabilities	-	9

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
2014			
Within one year	10	(1)	9

#### Operating leases

The total future value of minimum lease payments is as follows:

	2015 £ 000	2014 £ 000
Within one year	-	251
In two to five years	-	722
In over five years	-	2,773
	-	3,746

The amount of non-cancellable operating lease payments recognised as an expense during the year was £150,000 (2014 - £250,000) All operating leases at 31 July 2015 were novated to Com Dev Europe Limited as part of the sale of the trade and assets of the company. No ongoing commitments are held by MESL Microwave Limited.

### 21 Share capital

#### Allotted, called up and fully paid shares

	2015		2014	
	No. 000	£ 000	No. 000	£ 000
100/6,001,000 Ordinary shares of £1 each	-	-	6,001	6,001

The authorised share capital of the company is 6,001,000 ordinary shares of £1 each. On 28 July 2015, the company reduced its issued share capital by cancelling 6,000,900 of the ordinary £1 shares and £608,000 of the related share premium. The reduction in the share capital and share premium was credited to the profit and loss reserve.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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### 22 Reserves

#### Share capital

The balance classified as equity share capital includes the total net proceeds on issue of the company's equity

#### Share premium

The share premium reserve includes any premiums received on issue of share capital.

#### Profit and loss account

The profit and loss account reserve includes all current and prior period retained profits and losses.

### 23 Pension and other schemes

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £192,000 (2014 - £316,000).

Contributions totalling £Nil (2014 - £41,000) were payable to the scheme at the end of the year and are included in creditors.

### 24 Related party transactions

The company has taken advantage of the exemption under section 8(k) of FRS 101 not to disclose transactions with fellow group wholly owned subsidiaries.

### 25 Dividends

	2015 £ 000	2014 £ 000
Interim dividend of £42,380.00 (2014 - £Nil) per ordinary share	<u>4,238</u>	<u>-</u>

### 26 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Com Dev International Limited.

These financial statements are available upon request from 155 Sheldon Drive, Cambridge, Ontario, Canada.

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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### **27 Parent and ultimate parent undertaking**

Subsequent to the year end, the company was acquired by Honeywell International Inc. Accordingly, Honeywell International Inc. became the ultimate parent and controlling party with effect from 4 February 2016.

The company's immediate parent is MESL Holdings Limited. At the year end date, the ultimate parent was Com Dev International Limited.

The most senior parent entity producing publicly available financial statements, which include the company, is Com Dev International Limited. These financial statements are available upon request from 155 Sheldon Drive, Cambridge, Ontario, Canada.

### **28 Transition to FRS 101**

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2014, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the company in restating its balance sheet as at 1 January 2014 prepared under previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 28 Transition to FRS 101 (continued)

#### Balance sheet at 1 January 2014

	Note	As originally reported £ 000	Re- classification £ 000	Re- measurement £ 000	As restated £ 000
<b>Fixed assets</b>					
Tangible fixed assets		164	-	-	164
<b>Current assets</b>					
Stocks		918	-	-	918
Debtors		6,224	-	-	6,224
Cash at bank and in hand		53	-	-	53
		7,195	-	-	7,195
Creditors: Amounts falling due within one year	28.2, 28.3	(1,664)	-	(92)	(1,756)
Net current assets		5,531	-	(92)	5,439
Total assets less current liabilities		5,695	-	(92)	5,603
Creditors: Amounts falling due after more than one year		(9)	-	-	(9)
Net assets		5,686	-	(92)	5,594
<b>Capital and reserves</b>					
Share capital presented as equity		6,001	-	-	6,001
Share premium reserve		608	-	-	608
Profit and loss account	28.2, 28.3	(923)	-	(92)	(1,015)
Shareholders' funds		5,686	-	(92)	5,594



# MESL Microwave Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 28 Transition to FRS 101 (continued)

#### Balance sheet at 31 December 2014

	Note	As originally reported £ 000	Re-classification £ 000	Re-measurement £ 000	As restated £ 000
<b>Fixed assets</b>					
Tangible fixed assets		101	-	-	101
<b>Current assets</b>					
Stocks		907	-	-	907
Debtors	28.1	6,084	(24)	-	6,060
Other financial assets (current)	28.1	-	24	-	24
Cash at bank and in hand		2	-	-	2
		<u>6,993</u>	<u>-</u>	<u>-</u>	<u>6,993</u>
Creditors: Amounts falling due within one year	28.2, 28.3	<u>(1,721)</u>	<u>-</u>	<u>(116)</u>	<u>(1,837)</u>
Net current assets		<u>5,272</u>	<u>-</u>	<u>(116)</u>	<u>5,156</u>
Net assets		<u>5,373</u>	<u>-</u>	<u>(116)</u>	<u>5,257</u>
<b>Capital and reserves</b>					
Share capital presented as equity		6,001	-	-	6,001
Share premium reserve		608	-	-	608
Profit and loss account	28.2, 28.3	<u>(1,236)</u>	<u>-</u>	<u>(116)</u>	<u>(1,352)</u>
Shareholders' funds		<u>5,373</u>	<u>-</u>	<u>(116)</u>	<u>5,257</u>

#### Reconciliation of total comprehensive income

	Note	£000
<b>Total comprehensive income for the year ended 31 December 2014 under previously extant UK GAAP</b>		(313)
Lease incentives	28.2	(21)
Holiday pay provision	28.3	(3)
<b>Total comprehensive income for the year ended 31 December 2014 under FRS 101</b>		<u>(337)</u>

### 28.1 Derivatives

The fair value of derivatives at the balance sheet date was recognised under previously extant UK GAAP and included within other debtors. Under FRS 101 the asset arising on the fair value of derivatives has been re-classified as Other financial assets.

## MESL Microwave Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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#### 28 Transition to FRS 101 (continued)

##### 28.2 Lease incentives

Under previously extant UK GAAP, lease incentives received were being amortised over the period to the first rent review which was 5 years. FRS 101 requires lease incentives to be amortised over the whole term of the lease, which is 20 years. Accordingly, profit and loss reserves at 1 January and 31 December 2014 have been reduced and accruals increased by £76,000 and £97,000 respectively. Income in the year to 31 December 2014 has been reduced by £21,000.

##### 28.3 Holiday pay

FRS 101 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the company recognising a liability for holiday pay for £16,000 on transition to FRS 101. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. In the year to 31 December 2015 an additional charge of £3,000 was recognised in the profit and loss account and the liability at 31 December 2015 was £19,000.