

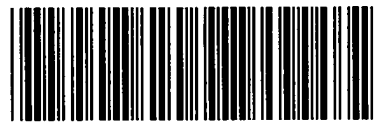
MESL Microwave Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2014

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COMPANIES HOUSE

Company Registration No. SC074001

MESL Microwave Limited

COMPANY INFORMATION

| | |
|-------------------|---|
| DIRECTORS | Mr Christopher D'Cruze Mr Robert Spurrett Mr John Stuart Mr Gary Calhoun |
| SECRETARY | Mr Gary Calhoun |
| COMPANY NUMBER | SC074001 |
| REGISTERED OFFICE | Lochend Industrial Estate Queen Anne Drive Newbridge EDINBURGH EH28 8LP |
| AUDITOR | Ernst & Young LLP 400 Capability Green LUTON LU1 3LU |
| BANKERS | Barclays Commercial Bank Aurora First Floor 120 Bothwell Street GLASGOW G2 7JT |
| SOLICITORS | Davidson Chalmers LLP 12 Hope Street EDINBURGH EH2 4DB |

MESL Microwave Limited

DIRECTORS' REPORT

For the year ended 31 December 2014

The directors present their report and financial statements for the year ended 31 December 2014.

GOING CONCERN

The company's business activities are set out in the Strategic Report and in the notes to the accounts. The main risks likely to affect its future development and performance are set out below. During the year there were ongoing discussions with COM DEV Europe which resulted in the acquisition on 31st December 2014 of 100% of the Shares in MESL Holdings and therefore control of MESL Microwave Limited. This activity did not alter the strategic direction of the business throughout the year, but has modified the strategy from the start of 2015.

As part of the normal business process, budgets and forecasts are prepared to monitor performance and financial risks. This process has highlighted improvements in both profitability and cash generation through 2015 and beyond.

The company operates across a number of geographic areas, but mainly in Western Europe, and has long-term relationships with many of its customers in these areas and while the current economic environment is uncertain, the directors believe that the risks can be managed. Accordingly and after making enquiries, the directors believe that, at the time of completion of the accounts, there is a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. On this basis they continue to adopt a going concern basis in preparing the company's financial statements.

FINANCIAL RISK MANAGEMENT

MESL Microwave's main financial risks are in relation to balancing the capital required to fund the strategic growth in the space market with the working capital constraints of the business as a whole, the squeeze on prices in the wireless communications sector driven by the Asian market, and transactional currency exposure. It is the company's policy not to hedge until a firm commitment has been entered into involving transactions in a foreign currency. MESL Microwave's principal financial assets are bank and cash balances, and trade and other debtors. It is the company's policy that all customers wishing to trade on credit terms may be subject to credit verification procedures. Receivables balances are monitored on an ongoing basis.

RESEARCH AND DEVELOPMENT

The company continues to invest in research and development, as this is essential to support the markets in which it operates. The R&D activity is split between new product development for existing and new commercial customers, technology advances appropriate to our business areas, and seeking to extend our product/market range.

RESULTS AND DIVIDENDS

The results for the year are set out on page 6.
The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 January 2014:

Miss Sharon Hepburn (resigned 31 December 2014)
Mr Michael Huggan (resigned 31 December 2014)
Mr John Little (resigned 31 December 2014)
Mr Lars McBride (resigned 31 December 2014)
Mr Anthony Smith (resigned 31 December 2014)
Mr Mark Watherston (resigned 31 December 2014)
Mr Christopher D'Cruze (appointed 31 December 2014)
Mr Robert Spurrett (appointed 31 December 2014)
Mr John Stuart (appointed 31 December 2014)
Mr Gary Calhoun (appointed 31 December 2014)

MESL Microwave Limited

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2014

AUDITOR

Following the acquisition by Com Dev Investments Limited, Baker Tilly UK Audit LLP resigned as auditors. Ernst & Young LLP were appointed as auditors.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who are in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

STRATEGIC REPORT

In accordance with s414C(11) of the Companies Act, the directors have included information regarding business performance in the Strategic Report that would otherwise be required within the Director's report.

On behalf of the board



Mr Christopher D'Cruxe
DIRECTOR

9.11.15.....

MESL Microwave Limited

STRATEGIC REPORT

For the year ended 31 December 2014

PRINCIPAL OBJECTIVES & STRATEGY

The principal objectives of MESL Microwave Limited are to grow through the development, manufacture and marketing of microwave and electronic components and subsystems for the wireless communications, avionics, radar and space markets. This will be achieved through technical innovation, offering customised solutions for wireless transmission to customers in those markets. A number of the company's markets are growing and its position as a leader in the field of microwave technology stands it in good stead to take advantage of that growth. Following the acquisition by COM DEV the focus on growth in the space subsystem, defence and commercial markets remains unchanged. However, the product offering in the space market will be enhanced through the new ownership, resulting in significantly greater growth.

RISKS

The main risks are those of a timing nature with regards to the larger defence and space contracts. Though there were some timing delays during the year some significant orders were won for both the defence and space business.

REVIEW OF BUSINESS PERFORMANCE

Total turnover of the company for the year ended 31 December 2014 was £8,242k (2013 - £7,884k). The increase in sales from the prior year reflects the continued growth of the space subsystems business along with growth in the defence business. However, growth was also affected 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 however continues to focus on the space market and has started to generate revenues from some material contracts in 2014. The business also continues to focus on the defence market, and is growing in this sector into new geographies thus spreading that risk

Operating loss from ordinary activities in the year was £34k (2013 – operating loss £278k). These losses are reflective of the largely fixed cost base of the business. As the business generates higher levels of revenue during 2015 the percentage and actual margin levels will improve accordingly.

KEY PERFORMANCE INDICATORS

The main indicators that the directors use to monitor the performance of the business are as follows:

| | 2014 | 2013 |
|---------------------------|------|------|
| Gross profit percentage | 12% | 13% |
| Operating loss percentage | 0% | (4%) |
| Current ratio | 1.6 | 1.5 |
| Debtor to overdraft cover | n/a | 3.6 |

EMPLOYEES

The gender breakdown of the company's employees at year end was as follows:

| | Male | Female |
|-----------|------|--------|
| Directors | 4 | 1 |
| Managers | 10 | 2 |
| Employees | 52 | 26 |
| Total | 66 | 29 |

On behalf of the board


Mr Christopher D. Cruze
DIRECTOR

9.11.15

MESL Microwave Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent; and
- c. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MESL MICROWAVE LIMITED

We have audited the financial statements of MESL Microwave Limited for the period ended 31 December 2014 which comprise of the Profit and Loss Account, the Balance Sheet, the Cash Flow statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

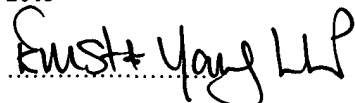
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Juliet Thomas (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton
2015



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MESL Microwave Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2014

| | Notes | 2014 £000 | 2013 £000 |
|---|--------|--------------|--------------|
| TURNOVER | 2 | 8,242 | 7,884 |
| Cost of sales | | (7,272) | (6,845) |
| GROSS PROFIT | | 970 | 1,039 |
| Distribution costs | | (738) | (704) |
| Administrative expenses | | (266) | (613) |
| OPERATING LOSS | 4 | (34) | (278) |
| Interest payable and similar charges | 3 | (34) | (20) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (68) | (298) |
| Taxation | 7 | (245) | 33 |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | 15, 16 | (313) | (265) |

The loss for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

MESL Microwave Limited**BALANCE SHEET****As at 31 December 2014**

| | Notes | 2014 £000 | 2013 £000 |
|--|-------|---------------------|---------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 101 | 164 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 907 | 918 |
| Debtors | 10 | 6,084 | 6,224 |
| Cash at bank and in hand | | 2 | 53 |
| | | <u>6,993</u> | <u>7,195</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | <u>(1,721)</u> | <u>(1,664)</u> |
| NET CURRENT ASSETS | | <u>5,272</u> | <u>5,531</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,373</u> | <u>5,695</u> |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 12 | - | (9) |
| NET ASSETS | | <u><u>5,373</u></u> | <u><u>5,686</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 6,001 | 6,001 |
| Share premium account | 15 | 608 | 608 |
| Profit and loss account deficiency | 15 | (1,236) | (923) |
| SHAREHOLDERS' FUNDS | 16 | <u><u>5,373</u></u> | <u><u>5,686</u></u> |

The financial statements on pages 6 to 21 were approved by the board of directors and authorised for issue on 9.11.15 and are signed on its behalf by:


Mr Christopher D. Cruze
DIRECTOR

MESL Microwave Limited**CASH FLOW STATEMENT****For the year ended 31 December 2014**

| | Notes | 2014 £000 | 2013 £000 |
|--|-------|--------------|--------------|
| Net cash inflow from operating activities | 20 | 334 | 314 |
| Returns on investments and servicing of finance | 21.1 | (34) | (20) |
| Capital expenditure | 21.2 | (18) | (10) |
| | | <hr/> | <hr/> |
| NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING | | 282 | 284 |
| Financing | 21.3 | (37) | (43) |
| | | <hr/> | <hr/> |
| INCREASE IN CASH IN THE YEAR | 22 | <u>245</u> | <u>241</u> |

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes that continuing financial support will be provided by the company's parent undertaking, Com Dev International Limited. The directors of Com Dev International Limited have stated that it is their intention to provide the company with sufficient funds to enable it to meet its liabilities as they fall due for the foreseeable future.

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and/or services in the ordinary nature of the business. Turnover is shown net of Value Added Tax, of goods sold and services provided to customers outside the group.

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.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

| | |
|------------------------|-------------------|
| Plant and machinery | 10% Straight Line |
| Computer equipment | 33% Straight Line |
| Furniture and fittings | 10% Straight Line |
| Motor vehicles | 25% Straight Line |
| Test gear | 15% Straight Line |

LEASING

Rentals payable under operating leases are charged against profit and loss on a straight line basis over the lease term.

Assets acquired under finance leases and hire purchase contracts have been capitalised and depreciated in accordance with the fixed assets policy. Interest in respect of finance leases and hire purchase contracts is charged in the profit and loss account on an actual basis over the period of the lease.

STOCK AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

RETIREMENT BENEFITS

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable in respect of pension costs and other post-retirement benefits are charged to the profit and loss account in the year they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

MESL Microwave Limited

ACCOUNTING POLICIES (CONTINUED)

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Firm commitments that are hedged by forward currency contracts are translated at the forward rate. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

WARRANTY 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand 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*.

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.

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.

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 TURNOVER

GEOGRAPHICAL MARKET

| | Turnover | |
|-----------------------------------|--------------|--------------|
| | 2014 | 2013 |
| | £000 | £000 |
| United Kingdom | 1,475 | 1,449 |
| United States of America & Canada | 444 | 281 |
| Europe | 4,159 | 4,011 |
| Rest of the World | 2,164 | 2,143 |
| | <u>8,242</u> | <u>7,884</u> |

The company's turnover and loss before taxation were all derived from its principal activity. Sales were made in the geographical markets indicated above.

3 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 | 2013 |
|------------------|-----------|-----------|
| | £000 | £000 |
| Interest payable | 34 | 20 |
| | <u>34</u> | <u>20</u> |

4 OPERATING LOSS

| | 2014 | 2013 |
|--|---------|---------|
| | £000 | £000 |
| Loss is stated after charging: | | |
| Depreciation of tangible assets | 86 | 112 |
| Loss on foreign exchange transactions | 68 | 6 |
| Operating lease rentals | | |
| - Motor vehicles | 25 | 29 |
| - Property | 203 | 204 |
| Auditor's remuneration | 20 | 15 |
| Remuneration of entities related to the auditor for non-audit work | 0 | 3 |
| | <u></u> | <u></u> |

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

5 EMPLOYEES

NUMBER OF EMPLOYEES

The average monthly number of employees (including directors) during the year was:

| | 2014 Number | 2013 Number |
|------------------------|----------------|----------------|
| Production/Engineering | 64 | 61 |
| Distribution | 8 | 8 |
| Sales | 5 | 5 |
| Administration | 16 | 17 |
| | <u>93</u> | <u>91</u> |

EMPLOYMENT COSTS

| | 2014 £000 | 2013 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 3,059 | 2,881 |
| Social security costs | 302 | 285 |
| Other pension costs | 316 | 286 |
| | <u>3,677</u> | <u>3,452</u> |

6 DIRECTORS' EMOLUMENTS

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Emoluments | 325 | 419 |
| Company pension contributions to money purchase schemes | 29 | 33 |
| | <u>354</u> | <u>452</u> |

The number of directors for whom retirement benefits are accruing under money purchase scheme was:

| | |
|---|---|
| 4 | 5 |
|---|---|

Emoluments disclosed above include the following amounts paid to the highest paid director:

| | | |
|---|-----|-----|
| Emoluments | 117 | 114 |
| Company pension contributions to money purchase schemes | 10 | 10 |

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

| 7 TAXATION | 2014 £000 | 2013 £000 |
|---|-------------------|-------------------|
| (a) Tax on profit on ordinary activities | | |
| UK Corporation tax | | |
| Current tax on profit of the period | (33) | (91) |
| Tax on profit for prior year(s) | (20) | - |
| | <u> </u> | <u> </u> |
| FOREIGN CORPORATION TAX | | |
| Foreign corporation tax | - | - |
| | <u> </u> | <u> </u> |
| CURRENT TAX CHARGE | (53) | - |
| DEFERRED TAX | | |
| Deferred tax charge/(credit) current year | 298 | 58 |
| | <u> </u> | <u> </u> |
| Tax on profit on ordinary activities | 245 | (33) |
| | <u> </u> | <u> </u> |
| (b) Factors affecting current tax charge for the year | | |
| The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%). | | |
| The differences are explained below: | | |
| (Loss)/profit on ordinary activities before taxation | (68) | (298) |
| | <u> </u> | <u> </u> |
| (Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.5% (2013 – 23.25%) | (15) | (69) |
| | <u> </u> | <u> </u> |
| Effects of: | | |
| Non deductible expenses | 5 | 1 |
| Capital allowances (in excess of) / less than depreciation | (16) | (15) |
| Other timing differences | 48 | - |
| R&D tax relief | (75) | (113) |
| Surrender of tax losses for R&D tax relief | 18 | 103 |
| Unrelieved tax losses and other deductions | 2 | 2 |
| Rate changes | - | - |
| | <u> </u> | <u> </u> |
| | (18) | (91) |
| | <u> </u> | <u> </u> |
| CURRENT TAX CHARGE | (33) | - |
| | <u> </u> | <u> </u> |

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

7 TAXATION (continued)

(c) Deferred tax

| | 2014 £000 | |
|--------------------------------|--------------|--------------|
| Balance at 1 January 2014 | 298 | |
| Profit and loss account | (298) | |
| | <hr/> | |
| Balance at 31 December 2014 | - | |
| | <hr/> | |
| | 2014 £000 | 2013 £000 |
| Decelerated capital allowances | - | 125 |
| Tax losses available | - | 173 |
| | <hr/> | <hr/> |
| | - | 298 |

At 31 December 2014, the company had tax losses carried forward to offset against profits of the same trade of £832,338. The deferred tax asset not provided in the financial statements comprises of £166,476. The deferred tax asset has not been provided for in the financial statements as the directors consider that there are not suitable profits available at present to support its recognition.

The Finance Act 2013 reduced the main rate of corporation tax from 23% to 21% from 1 April 2014 and by an additional 1% to 20% from 1 April 2015. These reductions in the rate of corporation tax were substantively enacted on 2 July 2013 and have been applied in the calculation of deferred tax in the financial statements.

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

8 TANGIBLE FIXED ASSETS

| | Plant and Machinery and Test Gear | Motor Vehicles, Furniture, Fittings and IT | Total |
|-----------------------|---|---|-------|
| | £000 | £000 | £000 |
| COST | | | |
| At 1 January 2014 | 3,021 | 1,161 | 4,182 |
| Additions | - | 18 | 18 |
| Disposals | 7 | (4) | 3 |
| At 31 December 2014 | 3,028 | 1,175 | 4,203 |
| DEPRECIATION | | | |
| At 1 January 2014 | 2,915 | 1,103 | 4,018 |
| Charge for the year | 45 | 41 | 86 |
| Disposals | 2 | (4) | (2) |
| At 31 December 2014 | 2,962 | 1,140 | 4,102 |
| NET BOOK VALUE | | | |
| At 31 December 2014 | 66 | 35 | 101 |
| At 31 December 2013 | 106 | 58 | 164 |

Included above are assets held under finance leases or hire purchase contracts as follows:

| | Plant and machinery | Motor Vehicles, Furniture, Fittings and IT | Total |
|---|------------------------|---|-------|
| | £000 | £000 | £000 |
| NET BOOK VALUES | | | |
| At 31 December 2014 | 23 | 10 | 33 |
| At 31 December 2013 | 27 | 40 | 67 |
| DEPRECIATION CHARGE FOR THE YEAR | | | |
| At 31 December 2014 | 3 | 29 | 32 |
| At 31 December 2013 | 3 | 32 | 35 |

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

| | | | |
|---|-------------------------------|------------|------------|
| 9 | STOCKS AND WORK IN PROGRESS | 2014 | 2013 |
| | | £000 | £000 |
| | Raw materials and consumables | 264 | 529 |
| | Work in progress | 643 | 389 |
| | | <u>907</u> | <u>918</u> |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

| | | | |
|----|------------------------------------|--------------|--------------|
| 10 | DEBTORS | 2014 | 2013 |
| | | £000 | £000 |
| | Trade debtors | 1,484 | 1,058 |
| | Amounts owed by group undertakings | 4,239 | 4,569 |
| | Other debtors | 335 | 251 |
| | Prepayments and accrued income | 26 | 48 |
| | Deferred tax asset (see note 7) | - | 298 |
| | | <u>6,084</u> | <u>6,224</u> |

Amounts falling due after more than one year and included in the debtors above are:

| | | |
|------------------------------------|--------------|--------------|
| | 2014 | 2013 |
| | £000 | £000 |
| Amounts owed by group undertakings | <u>4,239</u> | <u>4,569</u> |

| | | | |
|----|--|--------------|--------------|
| 11 | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2014 | 2013 |
| | | £000 | £000 |
| | Net obligations under finance leases (see note 12) | 9 | 37 |
| | Trade creditors | 1,162 | 767 |
| | Corporation Tax | 13 | - |
| | Taxes and social security costs | 87 | 78 |
| | Other creditors | 129 | 204 |
| | Bank overdraft | - | 296 |
| | Accruals and deferred income | 321 | 282 |
| | | <u>1,721</u> | <u>1,664</u> |

The bank overdraft is secured by a floating charge over the assets of the company.

Obligations under finance leases are secured over the assets that they relate to.

Included in accruals above is £38,079 (2013: £36,882) of pension contributions that were paid on 28th January 2015 in line with the agreed timescale.

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

| | | | |
|----|---|--------------|--------------|
| 12 | CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2014 £000 | 2013 £000 |
| | Net obligations under finance leases | - | 9 |
| | | <u>-</u> | <u>9</u> |
| | | <u>-</u> | <u>9</u> |
| | NET OBLIGATIONS UNDER FINANCE LEASES | | |
| | Repayable within one year | 9 | 37 |
| | Repayable between one and five years | - | 9 |
| | | <u>9</u> | <u>46</u> |
| | Included in liabilities falling due within one year | (9) | (37) |
| | | <u>-</u> | <u>9</u> |
| | | <u>-</u> | <u>9</u> |

Obligations under finance leases are secured over the assets that they relate to.

| | | | |
|----|---|--------------|--------------|
| 13 | PENSION AND OTHER POST-RETIREMENT BENEFIT COMMITMENTS | 2014 £000 | 2013 £000 |
| | Contributions paid by the company for the year | 316 | 286 |
| | | <u>316</u> | <u>286</u> |
| 14 | SHARE CAPITAL | 2014 £000 | 2013 £000 |
| | ALLOTTED, ISSUED AND FULLY PAID | | |
| | 6,001,000 Ordinary of £1 each | 6,001 | 6,001 |
| | | <u>6,001</u> | <u>6,001</u> |

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

15 RESERVES

| | Share premium account | Profit and loss account |
|-----------------------------|-----------------------|-------------------------|
| | £000 | £000 |
| Balance at 1 January 2014 | 608 | (923) |
| Loss for the year | - | (313) |
| Balance at 31 December 2014 | 608 | (1,236) |

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2014 | 2013 |
|-----------------------------|-------|-------|
| | £000 | £000 |
| Loss for the financial year | (313) | (265) |
| Opening shareholders' funds | 5,686 | 5,951 |
| Closing shareholders' funds | 5,373 | 5,686 |

17 FINANCIAL COMMITMENTS

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015:

| | Land and buildings | | Other | |
|--------------------------------|--------------------|------|-------|------|
| | 2014 | 2013 | 2014 | 2013 |
| | £000 | £000 | £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | - | - | 1 | 8 |
| Between one and two years | - | - | 7 | 7 |
| Between two and five years | - | - | 13 | 10 |
| In over five years | 231 | 231 | - | - |
| | 231 | 231 | 21 | 25 |

18 CONTROL

The ultimate parent undertaking of MESL Microwave Limited is Com Dev International Limited, whose principal place of business is at 155 Sheldon Drive, Cambridge, Ontario, Canada.

Consolidated financial statements are prepared by the immediate parent company MESL Holdings Limited. The address of the registered office is Triangle Business Park Quilters Way, Stoke Mandeville, Aylesbury, Buckinghamshire, England, HP22 5SX. Copies of the group accounts of MESL Holdings Limited, which include MESL Microwave Limited are available from the Register of Companies at Companies House.

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

21 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

21.1 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

| 2014 | 2013 |
|------|------|
| £000 | £000 |

Interest paid

| | |
|------|------|
| (34) | (20) |
|------|------|

| | |
|------|------|
| (34) | (20) |
|------|------|

21.2 CAPITAL EXPENDITURE

| 2014 | 2013 |
|------|------|
| £000 | £000 |

Payments to acquire tangible assets

| | |
|------|------|
| (18) | (10) |
|------|------|

| | |
|------|------|
| (18) | (10) |
|------|------|

21.3 FINANCING

| 2014 | 2013 |
|------|------|
| £000 | £000 |

Repayments of finance leases

| | |
|------|------|
| (37) | (43) |
|------|------|

| | |
|------|------|
| (37) | (43) |
|------|------|

22 ANALYSIS OF NET DEBT

| 1 January 2014 | Cash flow | 31 December 2014 |
|----------------|-----------|------------------|
| £000 | £000 | £000 |

Net cash:

Cash at bank and in hand

| | | |
|-------|-----|---|
| (243) | 245 | 2 |
|-------|-----|---|

Debt:

Finance leases

| | | |
|------|----|-----|
| (46) | 37 | (9) |
|------|----|-----|

| | | |
|------|----|-----|
| (46) | 37 | (9) |
|------|----|-----|

NET DEBT

| | | |
|-------|-----|-----|
| (289) | 282 | (7) |
|-------|-----|-----|

MESL Microwave Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

| 23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT | 2014 | 2013 |
|--|-------|-------|
| | £000 | £000 |
| Increase in cash in the year | 245 | 241 |
| Cash outflow from decrease in debt and lease financing | 37 | 46 |
| | <hr/> | <hr/> |
| MOVEMENT IN NET FUNDS IN THE YEAR | 282 | 287 |
| | <hr/> | <hr/> |
| Opening net funds | (289) | (576) |
| | <hr/> | <hr/> |
| CLOSING NET DEBT | (7) | (289) |
| | <hr/> | <hr/> |

24 POST BALANCE SHEET EVENT

As a result of the acquisition of MESL Microwave Limited by Com Dev Investments Limited the trade, assets and liabilities of the company were transferred over to Com Dev Europe Limited, a subsidiary of Com Dev Investments Limited on the 31 July 2015.