

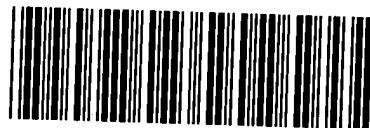
Registered number: 10523708

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

THURSDAY



L7KPØVKA
LD5 13/12/2018 #98
COMPANIES HOUSE

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

COMPANY INFORMATION

Directors	R G Branton J B Payne IV D I Robins
Registered number	10523708
Registered office	Waterside House Earls Colne Business Park Colchester CO6 2NS
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

CONTENTS

	Page
Strategic Report	1
Directors' Report	2 - 4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 26

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

STRATEGIC REPORT FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

Introduction

The directors present the strategic report of Integrated Microwave Technology Limited (the 'company') for the period from incorporation, 13 December 2016, to 31 December 2017. The company commenced trading 2 February 2017.

Business review

The Company is a wholly owned subsidiary of xG Technology, Inc., a global technology business specialising in the provision of secure communications for the broadcast, sports and entertainment and surveillance markets. The group has offices in the UK, USA, Dubai, and Singapore, and employs over 150 people worldwide.

Turnover for the period was £18,979,419. The loss before tax for the period was £4,642,176.

Principal risks and uncertainties

The Company's strategy is to optimise business opportunities and minimise exposure to principle risks and uncertainties.

The operating and financial performance of the Company is influenced by economic conditions of the regions in which it operates, particularly the UK, Europe, USA and the Middle East & Africa.

The Company's products are for critical services such as live news or real time video and the risk of failure will cause loss of service to customers, bringing damage to the company's reputation. Customer support is a key part of the companies offering to customer's to mitigate any damage.

The board and management teams monitor risk areas and adjust strategic plans to protect the company accordingly.

Financial key performance indicators

Key performance indicators are used to measure and evaluate company performance against targets throughout the Company.

Our key metrics employed in the company include:

- Order intake
- Achieving revenue and profit targets

Revenue in the period was £18,979,419 and gross profit is reported at £5,878,330.

This report was approved by the board on

and signed on its behalf.


J B Payne IV
Director

12/12/18

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

DIRECTORS' REPORT FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

The directors present their report and the financial statements for the period from incorporation (13 December 2016) to 31 December 2017.

Principal activity

The Company's principal business is the sale of microwave video transmission systems, delivering complete video capture, transmit and receive solutions for the broadcast, sports and entertainment and surveillance markets. The companies' activities include research and development, manufacture and assembly, sales, marketing, customer support and administration.

Results and dividends

The loss for the period, after taxation, amounted to £4,642,176.

Director

The director who served during the period was:

R G Branton (appointed 13 December 2016)
J M Walton (appointed 16 March 2017, resigned 19 July 2018)
J B Payne IV (appointed 19 July 2018)
D I Robins (appointed 19 July 2018)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk and foreign exchange risk. The board has overall responsibility for the determination of the Company's risk management objectives and policies, and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management team. The overall objective of the board is to reduce risks as far as possible without unduly affecting the company's competitiveness and flexibility.

Foreign exchange risk

Foreign exchange risk arises when the company engages in transactions denominated in a currency other than its functional currency. The Company operates internationally and is exposed to foreign exchange risk arising from various currency primarily with respect to the US dollar and the Euro.

The Company does not speculate in foreign currencies.

Credit risk

Credit risk arises from the sale of goods and services to customers. It is the Company policy to obtain deposits from customers where possible, particularly for overseas customers. In addition the Company will seek confirmed letters of credit for the balances due.

Cash flow and interest rate risk

The Company has no significant interest bearing assets and the Company's income and operating cash flows are substantially independent of changes in market interest rates. It is the Company's policy not to trade in financial instruments. The company does not use interest rate swaps.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the risk of encountering difficulties in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities. Management receives cash flow projections on a weekly basis as well as information regarding cash balances, these projections indicated that the company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Future developments

The directors do not envisage any significant change in the Company's operations in the foreseeable future and they expect the trading performance and financial position to improve.

Research and development activities

The Company invests in the development of new and the enhancement of existing technology in order to maintain its strong position in its market.

Qualifying third party indemnity provisions

During the period the Company maintained an external insurance policy to provide liability cover to its directors and officers.

Post balance sheet events

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

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.



12/12/16

J B Payne IV
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEGRATED MICROWAVE TECHNOLOGY LIMITED

Opinion

We have audited the financial statements of Integrated Microwave Technology Limited for the period from 13 December 2016 to 31 December 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 20 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Company's members, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEGRATED MICROWAVE TECHNOLOGY LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEGRATED MICROWAVE TECHNOLOGY LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 Auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Grant Thornton UK LLP

Jeremy Read
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date:

13 December 2018

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

	Note	13 December 2016 to 31 December 2017 £
Turnover	4	18,979,419
Cost of sales		(13,101,089)
Gross profit		5,878,330
Administrative expenses		(10,520,059)
Operating loss	5	(4,641,729)
Interest receivable and similar income	9	8
Interest payable and expenses	10	(455)
Loss before tax		(4,642,176)
Tax on loss for the period	11	-
Loss for the financial period from 13 December 2016		(4,642,176)

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 12 to 26 form part of these financial statements.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED
REGISTERED NUMBER:10523708

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £
Fixed assets		
Tangible assets	12	1,166,798
		<u>1,166,798</u>
Current assets		
Stocks	13	6,451,651
Debtors: amounts falling due within one year	14	5,067,338
Cash at bank and in hand	15	1,132,030
		<u>12,651,019</u>
Creditors: amounts falling due within one year	16	<u>(8,011,680)</u>
Net current assets		<u>4,639,339</u>
Total assets less current liabilities		<u>5,806,137</u>
Net assets		<u><u>5,806,137</u></u>
Capital and reserves		
Called up share capital	18	1,000
Other reserves	19	10,447,313
Profit and loss account	19	(4,642,176)
		<u><u>5,806,137</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12/12/2018.



J B Payne IV
Director

The notes on pages 12 to 26 form part of these financial statements.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017**

	Called up share capital £	Share-based payment reserve £	Other reserves £	Profit and loss account £	Total equity £
Comprehensive income for the period					
Loss for the period	-	-	-	(4,642,176)	(4,642,176)
Share based payment expense	-	(477,892)	-	-	(477,892)
Share based payment recharge	-	477,892	-	-	477,892
Total comprehensive income for the period	-	-	-	(4,642,176)	(4,642,176)
Shares issued during the period	1,000	-	-	-	1,000
Capital contribution	-	-	10,447,313	-	10,447,313
Total transactions with owners	1,000	-	10,447,313	-	10,448,313
At 31 December 2017	1,000	-	10,447,313	(4,642,176)	5,806,137

The notes on pages 12 to 26 form part of these financial statements.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

	2017 £
Cash flows from operating activities	
Loss for the financial period	(4,642,176)
Adjustments for:	
Depreciation of tangible assets	579,734
Interest paid	455
Interest received	(8)
Increase in stocks	(6,451,651)
Increase in debtors	(2,885,645)
Increase in amounts owed by groups	(427,826)
Increase in creditors	6,257,813
Net cash generated from operating activities	(7,569,304)
Cash flows from investing activities	
Purchase of tangible fixed assets	(1,746,532)
Interest received	8
Net cash from investing activities	(1,746,524)
Cash flows from financing activities	
Issue of ordinary shares	1,000
Purchase of ordinary shares	10,447,313
Interest paid	(455)
Net cash used in financing activities	10,447,858
Net increase in cash and cash equivalents	1,132,030
Cash and cash equivalents at the end of period from 13 December 2016	1,132,030
Cash and cash equivalents at the end of period from 13 December 2016 comprise:	
Cash at bank and in hand	1,132,030
	1,132,030

The notes on pages 12 to 26 form part of these financial statements.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

1. General information

Integrated Microwave Technology Ltd is a private company limited by shares and incorporated in England and Wales on 13 December 2016. Its registered head office is located at Waterside House, Earls Colne Business Park, Colchester, CO6 2NS.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors have received written assurance from the ultimate parent undertaking, xG, Technology Inc., that it will continue to support the company and provide adequate funds so that the company can meet its liabilities for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

2.3 Revenue

The Company recognizes revenues when persuasive evidence of an arrangement exists, services have been rendered, the price is fixed and determinable, and collectability is reasonably assured. Revenues from management and consulting, time-and-materials service contracts, maintenance agreements and other services are recognized as the services are provided or at the time the goods are shipped and title has passed.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017**

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- The shorter of the economic life or remaining lease term
Plant and machinery	- 1 - 11 years
Fixtures and fittings	- 1 - 10 years
Computer equipment	- 1 - 11 years

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.

2.5 Research and development costs

Research and development costs are recognised in the Statement of Comprehensive Income as they arise.

2.6 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 weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

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

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

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

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

2. Accounting policies (continued)

2.11 Share-based payments

Where the Company's parent, xG Technology, Inc., has granted rights to its equity instruments to the employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 19.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. Fair value is measured by use of the Black-Scholes pricing model. The expected useful life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share options granted to employees are cancelled when employees cease to work for the company, unless otherwise agreed by the directors of the Company. The cancellation results in immediate derecognition of the expenses that would have arisen over the remainder of the original vesting period.

Any movements in the fair value of the share-based payments is recognised in other reserves and subsequently recharged by xG Technology, Inc., resulting in a reversal of the charge within other reserves.

2.12 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.

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'.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

2. Accounting policies (continued)

2.13 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 Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest Income

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

2.15 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include the provisions against potentially irrecoverable debtors and irrecoverable stock, the useful economic life of tangible fixed assets and fair value of share-based payment transactions.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

4. Turnover

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

	13 December 2016 to 31 December 2017 £
Sale of products	18,979,419

Analysis of turnover by country of destination:

	13 December 2016 to 31 December 2017 £
United Kingdom	8,945,349
Rest of the world	10,034,070
	18,979,419

5. Operating loss

The operating loss is stated after charging:

	13 December 2016 to 31 December 2017 £
Research & development charged as an expense	277,200
Exchange differences	219,251
Defined contribution pension cost	118,496

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017**

6. Auditor's remuneration

	13 December 2016 to 31 December 2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	23,000
Fees payable to the Company's auditor and its associates in respect of:	
Taxation compliance services	7,500
	<u>7,500</u>

7. Employees

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

	13 December 2016 to 31 December 2017 £
Wages and salaries	4,237,586
Social security costs	419,320
Cost of defined contribution scheme	118,496
	<u>4,775,402</u>

The average monthly number of employees, including the directors, during the period was as follows:

	13 December 2016 to 31 December 2017 No.
Employees	<u>94</u>

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

8. Directors' remuneration

	13 December 2016 to 31 December 2017 £
Directors' emoluments	167,242
Company contributions to defined contribution pension schemes	8,219
	<u>175,461</u>

During the period retirement benefits were accruing to 1 director in respect of defined contribution pension schemes.

9. Interest receivable

	13 December 2016 to 31 December 2017 £
Other interest receivable	<u>8</u>

10. Interest payable and similar expenses

	13 December 2016 to 31 December 2017 £
Bank interest payable	5
Other loan interest payable	450
	<u>455</u>

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

11. Taxation

	13 December 2016 to 31 December 2017 £
Total current tax	-
Deferred tax	
Total deferred tax	-
Taxation on profit on ordinary activities	-

Factors affecting tax charge for the period from 13 december 2016

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19.28%.
The differences are explained below:

	13 December 2016 to 31 December 2017 £
Loss on ordinary activities before tax	(4,642,176)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.28%	(895,012)
Effects of:	
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	130,017
Unrelieved tax losses carried forward	764,995
Total tax charge for the period	-

At 31 December 2017, the Company has an unrecognised deferred tax asset of £701,000. In accordance with the Company's accounting policy this amount has not been recognised in the financial statement due to the uncertainty surrounding the timing of future taxable profits available for offset.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017**

11. Taxation (continued)

Factors that may affect future tax charges

During the period, the main rate of UK corporation tax has reduced from 20% to 19% with effect from 1 April 2017, and the tax rate will reduce further to 17% from 1 April 2020. These changes have been substantively enacted at the balance sheet date. Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

12. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
Additions	200,068	1,199,686	178,321	168,457	1,746,532
At 31 December 2017	<u>200,068</u>	<u>1,199,686</u>	<u>178,321</u>	<u>168,457</u>	<u>1,746,532</u>
Depreciation					
Charge for the period from 13 December 2016 on owned assets	23,728	427,882	87,429	40,695	579,734
At 31 December 2017	<u>23,728</u>	<u>427,882</u>	<u>87,429</u>	<u>40,695</u>	<u>579,734</u>
Net book value					
At 31 December 2017	<u><u>176,340</u></u>	<u><u>771,804</u></u>	<u><u>90,892</u></u>	<u><u>127,762</u></u>	<u><u>1,166,798</u></u>

13. Stocks

	2017 £
Work in progress	1,522,650
Finished goods and goods for resale	4,929,001
	<u><u>6,451,651</u></u>

Stock recognised in cost of sales during the period as an expense was £9,659,025.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

14. Debtors

	2017 £
Trade debtors	2,121,126
Amounts owed by group undertakings	2,181,693
Other debtors	433,676
Prepayments and accrued income	330,843
	<u>5,067,338</u>

15. Cash and cash equivalents

	2017 £
Cash at bank and in hand	<u>1,132,030</u>

16. Creditors: Amounts falling due within one year

	2017 £
Trade creditors	4,842,926
Amounts owed to group undertakings	1,753,867
Other taxation and social security	127,322
Other creditors	214,154
Accruals and deferred income	1,073,411
	<u>8,011,680</u>

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

17. Financial instruments

2017
£

Financial assets

Financial assets measured at amortised cost	<u>5,434,849</u>
---	------------------

Financial liabilities

Financial liabilities measured at amortised cost	<u>(7,855,848)</u>
--	--------------------

Financial assets that measured at amortised cost comprise cash at bank and in hand, trade debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

18. Share capital

	2017 £
Allotted, called up and fully paid	
1,000 Ordinary shares of £1.00 each	<u>1,000</u>

Each share has full voting, dividend and distribution rights.

19. Reserves

Share-based payment reserve

Represents the fair value change of share-based payments in issue

Other reserves

Other reserves consists of a capital contribution

Profit and loss account

Profit and loss accounts includes all current and prior period retained profits and losses

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

20. Share based payments

On 24 March 2017, under the 2013 Option plan, xG Technology Inc., the ultimate parent undertaking of the Company, issued 150,000 ten years options to a director with an exercise price of \$1.55 per share. The fair value of the options granted on 24 March 2017 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 1.90%, dividend yield of -0-%, volatility factor of 286.51% and the expected life of options is 6.00 years. The Company estimates forfeiture and volatility using historical information of our stock price. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues over the equivalent lives of the options. The expected life of the options represents the estimated period of time until exercise giving consideration to the contractual terms. The Company has not paid dividends on common stock and no assumption of dividend payment is made in the model. The options vest at one third on 24 March 2018, one third on 24 March 2019 and one third on 24 March 2020.

On 1 July 2017, under the 2017 Incentive Compensation plan, xG Technology Inc., the ultimate parent undertaking of the Company, issued 2,115,000 ten years options to employees of the Company with an exercise price of \$1.62 per share. The fair value of the options granted on 1 July 2017 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 1.84%, dividend yield of -0-%, volatility factor of 283.93% and the expected life of options is 6.00 years. The Company estimates forfeiture and volatility using historical information of our stock price. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues over the equivalent lives of the options. The expected life of the options represents the estimated period of time until exercise giving consideration to the contractual terms. The Company has not paid dividends on common stock and no assumption of dividend payment is made in the model. The options vest at one third on 1 July 2018, one third on 1 July 2019 and one third on 1 July 2020.

On 16 November 2017, under the 2017 Incentive Compensation plan, xG Technology Inc., the ultimate parent undertaking of the Company, issued 135,150 ten years options to employees with an exercise price of \$1.54 per share. The fair value of the options granted on 16 November 2017 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 1.98%, dividend yield of -0-%, volatility factor of 281.91% and the expected life of options is 6.00 years. The Company estimates forfeiture and volatility using historical information of our stock price. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues over the equivalent lives of the options. The expected life of the options represents the estimated period of time until exercise giving consideration to the contractual terms. The Company has not paid dividends on common stock and no assumption of dividend payment is made in the model. The options vest at one third on 16 November 2018, one third on 16 November 2019 and one third on 16 November 2020.

	Number 2017
Granted during the year	2,400,150
Outstanding at the end of the year	<u>2,400,150</u>

INTEGRATED MICROWAVE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 DECEMBER 2016 TO 31 DECEMBER 2017

20. Share based payments (continued)

	2017 £
Equity-settled schemes - share-based payment charge for the period	477,892
	<u>477,892</u>

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £110,277. Contributions totalling £27,917 were payable to the fund at the balance sheet date and are included in creditors.

22. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £
Not later than 1 year	649,942
Later than 1 year and not later than 5 years	1,424,974
Later than 5 years	495,000
	<u>2,569,916</u>

23. Related party transactions

Key management personnel remuneration for the period totalled £384,010.

24. Controlling party

The immediate parent undertaking is Integrated Microwave Technology LLC, a company incorporated in the United States.

The ultimate parent undertaking and controlling party is xG Technology, Inc., a company incorporated in the United States.