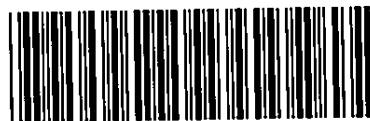


TRAK Microwave Limited
Annual report and financial statements
for the year ended 31 July 2012

Registered Number SC094479

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TRAK Microwave Limited

Annual report and financial statements for the year ended 31 July 2012

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TRAK Microwave Limited

Directors and advisers for the year ended 31 July 2012

Directors

A McNeill

R Phillips (resigned 1 October 2012)

S Bell

Secretary

J Angelo

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

141 Bothwell Street

Glasgow

G2 7EQ

Solicitors

Eversheds

Eversheds House

70 Great Bridgewater Street

Manchester

M1 5ES

Registered office

TRAK Microwave Limited

Block 29

Dunsinane Avenue

Dunsinane Industrial Estate

Dundee

Angus

DD2 3QF

Bankers

Barclays Corporate Bank plc

Level 28

1 Churchill Place

London

E14 5HP

TRAK Microwave Limited

Directors' report for the year ended 31 July 2012

Registered Number SC094479

The directors present their annual report and the audited financial statements for the year ended 31 July 2012.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is the design, manufacture and sale of sophisticated high frequency components and sub-systems for radar and communications applications in the defence, space and mobile telephone base stations markets.

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

The severity of the impact on the Company due to the global financial upheaval has varied depending on market segment. The commercial market, the first to be affected, experienced an abrupt reduction in demand which is now slowly recovering. The defence sector was initially unaffected but recent changing priorities in governmental spending in target geographic markets is expected to slow due to program curtailment, delay or cancellation. The commercial space market's reliance on access to the capital markets has an effect in certain geographic areas especially within the EU and USA. Government sponsored spending on satellites, communication and observation, remains firm on the back of security concerns.

The results for the year show a profit on ordinary activities before taxation of £964,000 (2011: £408,000) for the year and turnover of £9,285,000 (2011: £6,882,000). No dividend were paid or proposed during the year (2011: £nil).

FUTURE OUTLOOK

It is not envisaged that the Company will initiate any plans to restructure its principal activities in the forthcoming year. The current level of performance is expected to be maintained.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are:

Competition, innovation and major projects

TRAK Microwave Limited ("TRAK") operates in industries that demand continuous technological innovation. TRAK markets its products on quality service and superior technology, performance is no longer considered a sufficient discriminator. Continued development and improvement of new products are critical to TRAK's future business and investment in anticipation of future demand a key discriminator in TRAK's advantage. New or improved technologies and products can involve risk; however, TRAK is adept in mitigating any down side outcomes using a combination of close personal contacts with key decision makers in core customers, in depth market knowledge and an understanding of our own and that of our competitors strengths and weaknesses along with a robust internal risk mitigation process.

TRAK Microwave Limited

Directors' report for the year ended 31 July 2012 (continued)

Targeted cost savings

TRAK Microwave Limited strives to improve profitability through increased productivity and efficiency. This involves reducing costs throughout the supply chain which has been affected by the current economic climate, where raw material costs fluctuate in real terms and due to the weakness of the UK currency. As a result anticipated cost savings have been lower than forecast. Manufacturing efficiency is an area that improvements are constantly sought through routine of actual operational performance, review of new product introductions and product design.

Global political and economic conditions

TRAK operates in the space and defence sectors; providing components for long term, capital intensive projects. Both markets are global in scope and currently in a state of flux due to governments refocusing their spending priorities away from defence. To counter reduce spending TRAK is working to establish defence markets beyond the UK and EU; Turkey, Korea and India are markets that are expanding, but with increased competition and export control this increases the uncertainty that TRAK's marketing efforts will be successful.

FINANCIAL RISK MANAGEMENT

The Company complies with the Smiths Group plc financial risk management policies. These policies are explained in the Treasury section of the business review and the financial instruments note included in the Group's Annual report which does not form part of this report.

Operational credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before credit terms are offered. Customer credit limits are set based on credit ratings, past experience and other factors and subject to regular review. Concentrations of credit risk with respect to trade receivables are limited due to the diverse customer base.

Foreign exchange risks

The Company makes a proportion of its sales in foreign currencies, principally US\$ and €. The resulting foreign exchange risks are managed through natural hedging without using financial instruments.

KEY PERFORMANCE INDICATORS

The directors of Smiths Group plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of TRAK Microwave Limited. The development, performance and position of the Interconnect division of Smiths Group plc, which includes the Company, is discussed on page 38 of the group's annual report which does not form part of this report.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were as listed on page 1.

RESEARCH AND DEVELOPMENT

The company carries out research and development projects to suit its particular market and product needs.

TRAK Microwave Limited

Directors' report for the year ended 31 July 2012 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 prepared 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:

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a director at the date of approval of this report confirms that:

- (a) so far as the directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- (b) the directors 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 the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

A McNeill

Director

16 January 2013



TRAK Microwave Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAK MICROWAVE LIMITED

We have audited the financial statements of TRAK Microwave Limited for the year ended 31 July 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4 the directors are 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 July 2012 and of its profit for the year 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 matter prescribed by the Companies Act 2006

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

TRAK Microwave Limited

Independent auditors' report to the members of TRAK Microwave Limited (continued)

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.

Kenneth Wilson

Kenneth Wilson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
16 January 2013

TRAK Microwave Limited

Profit and loss account for the year ended 31 July 2012

	Note	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Turnover	1	9,285	6,882
Cost of sales		(6,473)	(4,537)
Gross profit		2,812	2,345
Distribution costs		(1,187)	(1,243)
Administrative expenses		(525)	(583)
Other operating charges		(205)	(111)
Operating profit	2	895	408
Interest receivable and similar income	6	70	1
Interest payable and similar charges	6	(1)	(1)
Profit on ordinary activities before taxation		964	408
Tax charge on ordinary activities	7	(314)	(164)
Profit for the financial year	16	650	244

The profit for the financial years arose from continuing activities.

The Company has no recognised gains or losses during the financial year ended 31 July 2012 and the financial year ended 31 July 2011 other than those reflected in the profit and loss account above.

There is no material difference between the profit or loss for the financial years stated above and the profit or loss calculated on a historical cost basis.

TRAK Microwave Limited

Balance sheet as at 31 July 2012

	Note	31 July 2012 £'000	31 July 2011 £'000
Fixed assets			
Tangible fixed assets	8	646	766
Current assets			
Stock		1,159	899
Debtors			
- falling due within one year	10	2,908	2,085
- falling due after one year	10	4,759	4,726
Cash at bank and in hand		521	168
		9,347	7,878
Creditors - amounts falling due within one year	11	(1,791)	(1,153)
Net current assets		7,556	6,725
Total assets less current liabilities		8,202	7,491
Creditors - amounts falling due after more than one year	12	-	(4)
Net assets		8,202	7,487
Capital and reserves			
Called up share capital	13	2,898	2,898
Profit and loss account	15	5,304	4,589
Total shareholders' funds	16	8,202	7,487

The financial statements on pages 7 to 23 were approved by the board of directors on 16 January 2013 and were signed on its behalf by:



A McNeill
Director

TRAK Microwave Limited

ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and all applicable accounting standards in the United Kingdom (UK GAAP). The accounting policies detailed below have been applied consistently during the year.

These financial statements have been prepared on a going concern basis and under the historical cost convention.

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

Cash flow statement

A statement of cash flows in accordance with "FRS1 (Revised 1996) Cash Flow Statements" has not been prepared because all the voting rights of the Company are ultimately controlled by Smiths Group plc, which represents a cash flow for the Group within its consolidated financial statements.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception of amounts recoverable from third parties.

Tangible fixed assets

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Land is not depreciated. Depreciation is provided on other assets estimated to write off the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives. In general, the rates used are:

- Heritable property – 5%
- Plant, machinery, etc. – 15% to 20%
- Fixtures & Fittings, Tools and other equipment – 10% to 20%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

No interest is capitalised as part of property, plant and equipment.

Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

TRAK Microwave Limited

Accounting policies (continued)

Trade and other debtors

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

Cash

Cash includes cash at bank and in hand and bank overdrafts.

Turnover

Turnover from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the customer, which is usually when title passes.

Turnover from services is recognised in accounting periods in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a portion of the total services to be provided.

Turnover is measured at the fair value of the consideration received, net of trade discounts and sales taxes.

Pension obligations

The Company's principal arrangements are provided through the independent Smiths Industries Pension Scheme, which is a defined benefit scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme, and accordingly accounts for its contributions to the scheme as if it were a defined contribution scheme in accordance with 'FRS 17: Retirement benefits'.

Share based compensation

The Group operates a number of equity-settled share-based compensation plans and Smiths Group plc has made grants under these plans to Group employees working for the Company.

The fair value of the shares or share options granted is recognised as an expense over the vesting period to reflect the value of the employee services received. The corresponding credit is treated as a capital contribution from the parent company.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options which are likely to vest.

In accordance with the transitional provisions of 'FRS 20: Share-based Payment', no charge had been recognised for grants of equity instruments made before 7 November 2002.

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

TRAK Microwave Limited

Accounting policies (continued)

Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling at the date of transaction and monetary assets and liabilities denominated in a foreign currency are retranslated at the closing exchange rate at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the retranslation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Current taxation

The tax on profit on ordinary activities includes amounts paid or received for Group relief in respect of tax losses claimed and surrendered in the current period. All current tax liabilities have been assumed by Smiths Group plc, the ultimate parent Company.

Deferred taxation

Deferred tax is recognised in respect of 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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the 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 an undiscounted basis.

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012

1 TURNOVER

The Company operates in one business segment. The analysis of turnover by geographical area is as follows:

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
United Kingdom	2,877	1,617
Rest of Europe	4,723	3,617
Others	1,685	1,648
	9,285	6,882

2 OPERATING PROFIT

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Wages and salaries	1,324	1,444
Social security costs	113	107
Other pension costs	31	30
Share based compensation (note 14)	65	60
Employee costs	1,533	1,641
Depreciation of property, plant and equipment	231	242
Research and development expenses	963	918
Operating leases		
- other	58	86
Foreign exchange (gain)/loss	(18)	3
Fees charged by PricewaterhouseCoopers LLP and their associates		
- statutory audit fee	23	23

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

3 DIRECTORS REMUNERATION

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Aggregate emoluments	222	271
Pension contributions	12	11
	234	282

Two directors (2011: three) received remuneration to the value of £234,000 (2011: £282,000) in respect of their services to the company. The emolument of the third director is paid by the parent company which makes no recharge to the company. This director is of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of this. The total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company. Retirement benefits are accruing to 2 directors (2011: three) under a defined contribution scheme. During the financial year 2 directors (including the highest paid director) (2011: three) exercised options over shares of Smiths Group plc.

Highest paid director

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
The above amounts for remuneration include the following:		
Aggregate emoluments	142	125
Pension contributions	7	4
	149	129

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

4 EMPLOYEE INFORMATION

The average monthly persons employed by the Company (including directors) was:

	Year ended 31 July 2012	Year ended 31 July 2011
	Number	Number
Direct labour	35	27
Factory overheads	7	9
Sales and marketing	1	1
Research and development	4	4
General administration	3	6
	50	47

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 July 2012	Year ended 31 July 2011
	£'000	£'000
Interest receivable on cash and deposits	-	1
Interest receivable from group undertakings	70	-
	70	1

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 July 2012	Year ended 31 July 2011
	£'000	£'000
Interest payable on overdraft and bank loans	1	1

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Current tax		
UK Corporation tax on profit for the year	317	39
Adjustment in respect of prior year	149	(2)
Total current tax	466	37
Deferred taxation		
Origination and reversal of timing differences	(44)	98
Adjustments in respect of prior years	(173)	-
Effect of changes in tax rate	65	29
Total deferred tax	(152)	127
Tax on profit on ordinary activities	314	164

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The tax for the period is different (2011: different) than from the standard rate of corporation tax in the UK 24% (2011: 26%). The differences are explained below:

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Profit on ordinary activities before taxation	964	408
UK corporation tax at 25.33% (2011: 27.33%)	244	112
Effects of:		
Expenses not deductible for tax purposes	23	26
Accelerated capital allowances	48	(106)
Additional tax credit for research and development	(5)	(8)
Depreciation on ineligible	10	13
Non taxable proportion of capital gains profit	(3)	(6)
Other timing differences	-	7
Adjustments to tax charge in respect of prior years	149	-
Adjustment in respect of prior years	-	(1)
Total current tax charge	466	37

Factors that may affect future charges

A change in the UK corporation tax rate from 26% to 24%, effective from 1 April 2012 was substantively enacted in March 2012. A further reduction to 23%, effective from 1 April 2013 was substantively enacted in July 2012 and the relevant deferred tax balances have been re-measured accordingly.

Deferred taxation

The deferred tax asset at the balance sheet date is £537,000 (2011: £385,000). As the company expectation is to make future profits it is appropriate to recognize the asset. The asset primarily arises due to Accelerated Capital Allowances ("ACAs"). The deferred tax asset has been calculated at the statutory corporation tax rate of 23%.

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The elements of deferred taxation are as follows:

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Deferred tax on losses brought forward	(385)	(513)
Deferred tax credit/(charge) in profit and loss account for year	(152)	128
Total deferred tax asset	(537)	(385)

Deferred tax assets relate to:

	Year ended 31 July 2012 £'000	Year ended 31 July 2011 £'000
Difference between accumulated depreciation and capital allowances	(530)	(378)
Other timing differences	(7)	(7)
Total deferred tax asset	(537)	(385)

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

8 TANGIBLE FIXED ASSETS

	Heritable property £'000	Plant and machinery £'000	Fixtures and fittings, tools and equipment £'000	Total £'000
Cost or valuation				
At 31 July 2011	1,143	3,499	960	5,602
Additions	5	91	3	99
Transfer from Intercompany	-	20	-	20
At 31 July 2012	1,148	3,610	963	5,721
Accumulated depreciation				
At 31 July 2011	873	3,053	910	4,836
Charge for the year	39	177	15	231
Transfer from Intercompany	-	8	-	8
At 31 July 2012	912	3,238	925	5,075
Net book amount				
At 31 July 2012	236	372	38	646
At 31 July 2011	270	446	50	766

9 STOCKS

	31 July 2012 £'000	31 July 2011 £'000
Stock comprises:		
Raw materials and consumables	587	566
Work in progress	340	279
Finished Goods	232	54
	1,159	899

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

10 DEBTORS

	31 July 2012 £'000	31 July 2011 £'000
Amounts falling due within one year		
Trade debtors	2,194	1,138
Amounts owed by group undertakings	147	489
Deferred tax asset (note 7)	537	385
Prepayments	30	73
	2,908	2,085
Amounts falling due after one year		
Amounts owed by group undertakings	4,759	4,726
	7,667	6,811

Amounts owed by group undertakings comprise sterling loans payable by April 2014. They carry interest at a rate per annum of a 12 month GBP LIBID (the Basic Rate).

11 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 July 2012 £'000	31 July 2011 £'000
Trade creditors	359	313
Amounts owed to group undertakings	37	53
Taxation and social security	302	99
Accruals	1,093	688
	1,791	1,153

12 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 July 2012 £'000	31 July 2011 £'000
Accruals	-	4

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

13 CALLED UP SHARE CAPITAL

Authorised, issued and fully paid

	31 July 2012 £'000	31 July 2011 £'000
2,898,000 (2011: 2,898,000) £1 ordinary shares	2,898	2,898

14 SHARE BASED COMPENSATION

The Group operates share schemes and plans for the benefit of employees. The nature of the principle schemes and plans under which grants have been made to Group employees working for TRAK Microwave Limited is set out below:

Smiths Group Sharesave Scheme (SAYE)

The SAYE scheme is an HM Revenue & Customs-approved all-employee savings-related share option scheme which is open to all UK employees, including directors, with 12 months' service or more. Participants enter into a contract to save a fixed amount per month of up to £250 in aggregate for three or five years and are granted an option over Smiths Group plc shares ("Shares") at a fixed option price, set at a 20% discount to market price at the date of invitation to participate. In the case of five-year savings contracts, participants can elect to delay maturity of the contract until its seventh anniversary. The number of Shares comprising the option is determined by the monthly amount saved and the bonus paid on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions.

Smiths Industries 1995 Executive Share Option Scheme (95 ESOS)

Options granted under the 95 ESOS can only be exercised after three years if a performance requirement, determined by the Remuneration Committee of the Board of Directors of Smiths Group plc (the "Committee"), has been met. Options granted under the 95 ESOS up to 2001 are subject to performance testing based on total shareholder return of the Group versus the total return of the General Industrials Sector of the FTSE All Shares Index. Options granted from 2002 are subject to a performance test based on growth in the Group's earnings per share. If the performance requirement is not satisfied at the end of the third year, the performance period may be extended for up to two further years so that performance is tested over a four-year period at the end of the fourth year and a five-year period at the end of the fifth year. The performance requirement is that the growth in the Group's normalised earnings per share over the three/four/five financial years beginning immediately prior to the option grant must exceed the increase in the UK Retail Prices Index over the same period by 3% per annum (for options up to one times base salary) and by 4% per annum (for the excess up to two times base salary).

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

14 SHARE BASED COMPENSATION (continued)

Smiths Industries 1995 Executive Share Option Scheme (95 ESOS)

Under the CIP, as introduced in October 2005, the Smiths Group executive directors and senior executives are able, if invited, to use their after tax bonus or 25% of their basic salary after tax, whichever is the greater, to invest in the Smiths Group's shares at the prevailing market price. At the end of a three year period, if the executive is still in office and provided the performance test is passed, matching shares will be awarded in respect of any invested shares retained for that period. The number of matching shares to be awarded is determined by the Remuneration Committee at the end of the year in which the bonus is earned by reference to annual bonus, and other corporate financial criteria. The maximum award will not exceed the value, before tax, of the bonus or salary invested in shares by the executive. Vesting of matching shares will occur and the matching shares will be released at the end of the three year period if the Group's Return on Capital Employed ('ROCE') over the Performance Period exceeds the Group's weighted average cost of capital ('WACC') over the Performance Period by an average margin of at least 1% per annum.

In July 2008 the CIP was amended. From 2009 participants have been required to invest 50% of their post tax bonus in purchased shares. The performance conditions have been expanded to include an enhanced performance condition of ROCE exceeding WACC by an average margin of 3% per annum. If the enhanced performance condition is met, two matching shares will be issued for every purchased share.

The following table summarises the options over Smiths Group plc shares issued to employees working for the Company since 7 November 2002:

	SAYE	ESOS	CIP	VSP	Total	Weighted average price for option plans £
Outstanding at 1 August 2010	29,422	20,500	6,273	-	56,195	7.62
Granted	5,489	-	4,012	7,411	16,912	3.36
Exercised	(5,718)	-	-	-	(5,718)	7.48
Adjustment for expected vesting	-	-	-	(7,411)	(7,411)	7.48
Lapsed	(563)	-	-	-	(563)	7.04
Outstanding at 31 July 2011	28,630	20,500	10,285	-	59,415	7.38
Granted	9,585	-	4,407	-	13,992	5.56
Exercised	(3,944)	-	-	-	(3,944)	7.61
Adjustment for expected vesting	-	-	-	-	-	-
Lapsed	(37)	-	-	-	(37)	9.59
Outstanding at 31 July 2012	34,234	20,500	14,692	-	69,426	7.00

There are no options issued before 7 November 2002.

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

14 SHARE BASED COMPENSATION (continued)

Options were exercised on an irregular basis during the period and the average closing share price of Smiths Group plc over the financial year was 995.15p (2011: 1240.24p). There has been no change to the effective option price of any of the outstanding options during the period.

Assumptions underlying share options valuations

For the purposes of valuing options to arrive at the share-based payment charge, the Binomial option pricing model has been used. The key assumptions used in the models for 2012 and 2011 are volatility of 30% (2011: 30%) and dividend yield of 3.75% (2011: 3.75%). Assumptions on expected volatility and expected option term have been made on the basis of historical data, wherever available, for the period corresponding with the vesting period of the option. Best estimates have been used where historical data is not available in this respect. The fair values of grants in the period are £9.64 for CIP and for SAYE grants of £2.54 (2011:£2.68).

Included within administrative expenses is an expense arising from share-based payment transactions of £65,000 (2011:£60,000), all of which relates to equity-settled share based compensation.

15 PROFIT AND LOSS ACCOUNT

	£'000
At 1 August 2011	4,589
Profit for the financial year	650
Capital contribution	65
At 31 July 2012	5,304

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 July 2012 £'000	31 July 2011 £'001
Profit for the financial year	650	244
Capital contribution (note 14)	65	60
Opening shareholders' funds	7,487	7,183
Closing shareholders' funds	8,202	7,487

TRAK Microwave Limited

Notes to the financial statements for the year ended 31 July 2012 (continued)

17 OPERATING LEASE COMMITMENTS

At 31 July 2012, the Company had annual commitments under non-cancellable leases as follows:

	Other	
	31 July	31 July
	2012	2011
	£'000	£'001
On contracts expiring:		
Within one year	-	14
After one and within five years	43	45
Total	43	59

18 PENSIONS

The company operates a defined contribution pension scheme for specified employees and directors. 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 £31,000 (2011: £30,000). The accrued contribution relating to the scheme at the year end of £4,909 (2011: £5,000) is included within accruals in note 11.

19 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a TRAK Microwave Corporation.

20 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Smiths Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Smiths Group plc incorporated in the United Kingdom and registered in England and Wales.

The annual report of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, Cardinal Place, 80 Victoria Street, London, SW1E 5JL