





Improved Harness Technology Less weight, less space, more repeatable, more reliable, faster installation, high speed data



Trackwise Designs plc Annual Report and Financial Statements For the period ended 31 December 2018

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CONNECTED TECHNOLOGY

A transformational year and a solid base created



2018 – A YEAR OF SIGNIFICANT ACHIEVEMENTS

- January 2018 takes occupancy of new
 19,000sq ft manufacturing facility
- July 2018 admitted to the AIM market of the London Stock Exchange raising a net £4.6M



- Installation of 2 new process lines enhancing manufacturing capability and capacity
- Revenue up 23% 2018: £3.5M (2017: £2.8M)



- Adjusted Operating Profit up 385% 2018:
 £325K (2017: £67K)
- ♦ EPS 0.63p
- ◆ Adjusted EBITDA up 171% 2018: £618K(2017: £228K)

Chairman's statement



Dear Shareholders

BUILDING MOMENTUM

It is my pleasure to present the Company's first Annual Report, as a quoted company, for the year ended 31 December 2018.

It was a year of significant progress for Trackwise. The IPO on 31 July 2018 provided an essential platform for the development and growth of the Company which will celebrate its 30th anniversary in 2019.

The proceeds of the IPO are being invested to increase capacity, refine our capability for the supply of IHT products and develop opportunities and resources to implement and accelerate our growth strategy.

Performance

I am pleased to report a year of significant performance improvement throughout the Company with encouraging operational development and growth in the business throughout 2018 in line with our core strategy outlined at the time of the IPO. Revenues for the period show significant growth over 2017 up 23% at £3,468K (2017: £2,821K) and EBITDA from recurring business increased 171% to £618K (2017: £228K). The impact of the flotation on 31 July 2018 is reflected in the increase in net assets from £1.226M to £5.871M.

Since becoming a public company, our corporate profile has grown and we are experiencing increased recognition with both our existing customer base and new business potential. Our pipeline of opportunities in our chosen IHT markets has grown from 14 at the time of flotation to 45 at the end of March 2019.

In the early part of 2018, the Company's operations moved to new premises in Tewkesbury which created the space for the anticipated growth within the IHT marketplace and facilitated improved operational performance.

Market Review

Our view of the opportunity for IHT is that all in our chosen industry sectors are showing increasing interest in the technology and we have a developing list of customers engaged in leading-edge technology projects who are placing orders. Our challenges in the near to mid-term are in meeting growing demand and the Company is deploying the funds raised at flotation in readiness. Revenues from IHT in 2019 will comfortably exceed last year and we expect the nature of the orders to change to longer production programmes over the next two years. Our outlook is that over the medium term the expectations set out at the time of flotation will be achieved.

The Company's proprietary and patented flexible printed circuit technology, Improved Harness Technology ("IHT") has significant applications in multi-billion-pound global high technology markets where traditional wire harnesses are currently incumbent. IHT has material benefits over wire harnesses, particularly through weight, space and installation time savings in aerospace, defence and satellite markets as well as automotive applications through electrification of vehicles.

Board, Senior Management and Employees

I and my non-executive Director colleague, Lesley Jackson, were appointed to the existing Board at flotation. We joined the Chief Executive Officer, Philip Johnston, inventor of the patented process which forms the basis of the IHT offering and Chief Financial Officer, Mark Hodgkins.

We have elected to adopt the Quoted Company Alliance Code for governance purposes.

2018 has been a year of major transformation, executed by a strong experienced management team. Following the factory move and the flotation they are now focused on implementing the growth strategy that these two events have enabled. This includes continuing development and training of both existing employees and new recruits.

I would like to thank the whole Trackwise team for their efforts during 2018 and the contribution that they continue to make to support and execute our growth strategy.

Dividend

The Directors do not recommend the payment of a dividend this year as the Company is still in the process of investing in essential capability and capacity requirements. It is intended that in the future, when commercial conditions allow, then a progressive dividend policy will be implemented.

Outlook

The new year has begun steadily with revenue in line with our expectations. There is some delay in ordering from new IHT customers and there is, inevitably, some uncertainty regarding the impact of Brexit, but we continue to experience accelerating interest and demand for the IHT technology.

The precise timing of many of these new opportunities is outside of Trackwise's control as a consequence of the development nature of the customers' needs, but the accretion of customers, which has accelerated in this current year to date gives us confidence that our strategy remains on track.

lan Griffiths Non-Executive Chairman 10th April 2019

Chief Executive's Strategic Review



"2018 was a transformational year for Trackwise"

2018 was a landmark year for the business; we moved our manufacturing facility, achieved a major shift in impetus in the development of our unique wire harness replacement technology – Improved Harness Technology™ ("IHT") and successfully floated the business on the London AIM market.

I would like to express my thanks to all the stakeholders who contributed to this very busy and transformational year, in particular, to all of our loyal and hardworking staff, without whom none of this would have been possible, and to the customers and investors that have shown confidence in us and our technology.

This confidence has allowed Trackwise to plan and now to deliver a world class multi-layer flexible PCB production facility.

In 2018 we increased revenue by 23% compared to last year at the same time increasing our adjusted operating profit by 385% to £325K (2017: £67K). A more complete commentary on our financial performance in 2018 is given in the Chief Financial Officer's Report on page 10.

Our legacy RF business will continue to underpin the business, but as laid out at IPO the growth opportunity is Improved Harness Technology $^{\text{TM}}$ (IHT). IHT is a unique, proprietary, patented technology. It is not a new technology, but rather a new method of manufacturing a proven technology that opens applicability of that proven technology to a vast new range of applications.

In our first report as a listed entity I set out below some of the key tenets of our unique product offering together with some of the nascent and established markets that can benefit from our capabilities.

Unlimited length multi-layer flexible PCBs are, we believe, unique to Trackwise and represent a disruptive technological process that releases proven advantages over traditional wire harnesses to a significant total addressable market, previously excluded by historic supply chain size limits.

IHT

The opportunities for IHT are extremely diverse; wherever wire is used, IHT can potentially offer a benefit. The main benefits of IHT are:

- Weight saving up to 75 per cent
- Space Saving
- Improved precision
- Improved reliability
- Reduced installation time
- Ability to be bonded onto/into supporting structure
- Ability to integrate electronic components, changing an entirely passive interconnect into a 'smart harness'



We continue to develop a presence in four principal markets where there is significant opportunity for the disruptive qualities that IHT has. These are:

- Aerospace
- Automotive
- Space (including Satellites and Spacecraft)
- Industrial and Scientific

We seek to work with leading industry players in each sector who can bring scale and skillset to a global delivery strategy.

Aerospace:

The benefits of IHT and their importance to aerospace demands that this sector represents a key target market (it is worth an estimated \$47.5bn 2012-2031). In the short to medium term the Company has exciting aerospace opportunities

High Altitude Pseudo-Satellite (HAPS) and Unmanned Aerial Vehicles (UAVs) aerospace sub-sectors are entrepreneurially driven and are not encumbered by legacy thinking and technology, with new-entrants driving change. The Company is winning work from this market sector (30% of IHT revenues in 2018).

We are positioning ourselves at the forefront of these developing opportunities and our technology will have its maiden flight in 2019; we are receiving repeat orders, a vote of confidence in Trackwise technology.

In UAVs we aim to support distributed propulsion, distributed batteries, distributed sensing and control all of which supports an already strong case for the use of flexible printed circuits in place of conventional wire harnesses, let alone smart harnesses, rather than an entirely passive interconnect, delivering significant weight reduction a key requirement.

In conventional aerospace, UK and International R&D programs allow us to introduce the benefits of flat flex wiring into multiple applications for example electro-thermal ice protection, embedded antennas, sensors and crack detection.

We have worked extensively with GKN Aerospace and we intend to enter into a development contract for the industrialisation of GKN's Type 8 Ice Protection System which will see the two companies building upon existing development work and so advance the manufacture of the Ice Protection System to rate production levels.

Trackwise has engaged the services of a US sales resource to advance the many opportunities that exist in US Aerospace for IHT.





Automotive:

We have several developing customers in the Electric Vehicles space; in 2018 this market accounted for 19.8% of IHT revenue. This market is growing and though Brexit is clouding the future for the UK automotive sector the macro trend is unmistakable; our review of the electric vehicle market encompasses reports of one billion electric vehicles on the road globally by 2050.

Participation in the Faraday Challenge is ensuring that we address the needs of not only road electric vehicles but also parallel developments in electric flight (UAVs – leading into Urban Air Mobility (UAM)). The IHT capability enables the designer to add distributed electronic components into the flexible harness itself making IHT products a compelling option for electric vehicles.

Space:

The weight and space saving benefits offered by IHT are of particular interest to the space industry. Trackwise is experiencing growing interest from a wide range of international space companies.

Initial focus in this arena is regarding spacecraft solar arrays—deployable areas of photo-voltaic cells that convert sunlight into electrical power to power the spacecraft. Current technology comprises rigid solar arrays, built from an assembly of hinged panels.

Our customers are exploring an opportunity for a flexible solar array based on Trackwise flexible circuits as the power transfer assembly. The power density of such flexible solar array solutions is much increased, enabling both missions requiring high power, such as high-power telecom and also missions with very stringent accommodation constraints, such as constellation satellites.

The increasing involvement of more countries and the opening up of space to private investment presents a valuable market for Trackwise.



Industrial and Scientific:

The proven benefits of IHT also apply to a very wide range of industrial and scientific applications. In 2018 Trackwise won customers in food processing (flow measurement), nuclear (inspection equipment), as well as contracts with CERN and other scientific facilities. In 2018 revenue from these streams accounted for 32% of total revenue. 2018 saw an increasing volume of IHT of 300% across an increasing number of customers and the growth of that customer base has continued in the first quarter of 2019.

Accreditations and Standards

As a new aerospace product category aimed primarily at aerospace, AS9100 certification was first achieved in September 2015 for IHT, with the transition to the new AS9100D standard achieved in October 2017.

We are working to win further accreditations e.g:

- Extending AS9100D to Design and Manufacture of Products using Printed Circuit Technology.
- Nadcap (National Aerospace and Defence Contractors Accreditation Program)
- ISO/TS 16949.

2018 saw the Company's IHT patent granted in China (previously granted in UK and US). Application processes in EU, Brazil and Canada are proceeding.

RF

We are well established in the manufacture of antennas for cellular telephone networks, our legacy business with a global footprint. The forthcoming roll out of 5G technology is a re-equipment opportunity which the Directors believe will continue to create demand for the Company's RF products. The Company's manufacturing assets serve both the IHT and RF divisions and with the IPO-funding investment is ensuring that its offering to the market remains relevant and up-to-date.

Our RF business has performed well in 2018 and remains a consistent source of income. I am pleased to say that many of the capacity and capability investments we are making for IHT will also benefit our RF business in the coming years.



Employees

We are committed to achieving a working environment which reflects diversity, provides equality of opportunity, ensures freedom from unlawful discrimination and our policy is to treat all employees, applicants and clients with respect and dignity giving due consideration to all.

We will continue to invest and develop our workforce alongside the development of our IHT technology.

Philip Johnston Chief Executive Officer 10th April 2019



Chief Financial Officer's Report



"Growth in IHT and RF enabled Trackwise to post a strong increase in profits and the best revenue performance since 2014"

During the year under review the Company made significant strategic progress with changes that created impetus for the development of IHT, directly as a consequence of our move to new premises in Tewkesbury and the benefits of our IPO which allowed us to invest over the last 12 months £154,000 in the facility and our capability that has enabled us to have a world class flexible multi-layer PCB production facility.

The success of the IPO has of course transformed the balance sheet of the Company and further investment is planned as a consequence.

Trading Performance

Overall Company Operating result

	2018	2017
	£'000	£'000
Revenues	3,468	2,821
Adjusted Operating profit*	325	67
Adjusted EBITDA*	618	228

^{*}An analysis of adjusted Operating Profit and adjusted EBITDA is given in note 26 of these financial statements

Company revenue for the year increased by 23% from £2.82M in 2017 to £3.47M in 2018 driven by growth in both the IHT division and the RF division.

The IHT sharply increased revenues in the year to £606K against £191K for 2017 and missed out on much higher reported revenues only due to the delay in orders in the late part of the year. The growth came principally from our lead customer in the aerospace sector, but we had increased awareness and interest in IHT giving rise to revenues from a number of new sources. Since IPO we have increased the number of active customers and opportunities from 14 (at the time of flotation) to 45 (as at 31 March 2019).

We were held back in our ambitions when our customers, with whom we are partnering, also had elongated adoption processes for the new technology.

The RF division recorded a growth of 10% in revenues year on year to £2.87M its best performance since 2014.

Measuring Financial Performance

The Company uses a number of specific measures to assess its performance, which are not defined by IFRS, but are used by the Board to assess the progress of the business against its strategic plan and examines the underlying operational performance and as such these measures are important and should be considered alongside IFRS measures.

The alternative performance measures are defined in Note 26 of these financial statements.

Reported operating profit increased by 140.3% after taking a charge in the year for share based payments of £155,000 and one-off move costs associated with the 20 years tenancy we vacated during the year of £45,000. Before these exceptional items our operating profits rose by 385%.

The listing costs are a burden for a small company such as Trackwise and amounted to £1,056K or 19.2% of gross new money raised and these costs have been charged to Share Premium in accordance with accepted accounting treatment.

Results and Dividends

Reported increased profit after taxation of £75,000 (2017: £8,000) enabled the Company to report EPS 0.63p per share (2017: 0.084p) reflecting the increase in the number of shares in issue from 9,534,275 in 2017 to 14,772,372 in 2018.

At the year end the Company demonstrated a strong balance sheet with net cash of £2,786,000

The Company invested heavily in infrastructure during the year to rapidly advance the Company's capability. The total investment during the year in infrastructure was £154,000 and this was accompanied by increased development of the IHT technology where we spent a total of £1.056M. We anticipate continued investment in 2019 at similar levels to those in 2018.

During the year we incurred costs in relation to our previous operating facility which the Directors consider to be of a non-recurring nature and have therefore been treated as such.

The Company continues to develop the technology which we call IHT to enhance production processes and efficiencies in order to improve current uses for the technology and also other derivatives of the technology for exploitation commercially. In doing so, the Company benefits from the UK Government's R+D tax regime. This is expected to continue for the foreseeable future but cannot be guaranteed. As a consequence, the Company not only receives credits to its P&L account but also accumulates tax losses that are created in the process and these amount to in excess of £1M. Additionally, the Company has deferred tax liabilities of £308,000. Consequently, the Company is unlikely to pay tax on profits in the short to medium term.

The Company's trading activities are such that there is a natural hedge to a proportion of our currency exposure where our principal exposures are the Euro and the US Dollar. The Board monitors the exposure carefully, in accordance with its adopted treasury policy and uses limited derivatives to manage foreign currency risks when exposure is considered to be higher than normal. Transactions of a speculative nature are, and will continue to be, prohibited. At 31 December 2018 the Company had no liabilities under any foreign currency hedging arrangement.

On 31 July 2018 the Company was admitted to the listing of its shares on the AIM market of the London Stock Exchange. As part of that process the Company placed 5,238,097 ordinary shares at 105p such that after admission there were 14,772,372 ordinary shares of 4p each.

Prior to flotation the Company capitalised the credit standing to the Capital Redemption Reserve fund with a bonus issue of 367,195 shares to its existing Shareholders in proportion to their shareholding on 28 June 2018. Following that capitalisation, the nominal share value of the ordinary shares was reduced from £1 to 4p increasing the number of shares to 9,534,275.

Mark Hodgkins Chief Financial Officer 10th April 2019

Corporate Governance Review

The business of the Company is ultimately managed by the Directors of Trackwise Designs plc who are responsible for running the Company for the benefit of its Shareholders in accordance with their fiduciary and statutory duties.

The Directors acknowledge the importance of the principles set out in the Corporate Governance Code and the requirement for companies admitted to trading on AIM to apply a recognised corporate governance code and explain compliance with that code.

The Directors have chosen to comply with the QCA Corporate Governance Code for Small and Mid-Size companies which has become a widely recognised benchmark for corporate governance of smaller quoted companies, particularly AIM companies. In accordance with Rule 26 of the AIM Rules for Companies, details of how the Company complies with the QCA Code are provided on the Company's website: www.trackwise.co.uk/investors/corporate/governance

The Board meets at least nine times a year to review, formulate and approve the Company's strategy, budgets, corporate actions and oversee the Company's progress towards its goals. It has established an Audit Committee, a Remuneration Committee and Nomination Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Board and Committee Independence

The Company's Board consists of two independent non-executive Directors (including the Chairman) and two executive Directors. The Company regards the non-executive Directors as "independent non-executive Directors" within the meaning of the UK Corporate Governance Code and free from any relationship that could materially interfere with the exercise of their independent judgement.

The Audit Committee

The Audit Committee is chaired by Lesley Jackson and its other members are Ian Griffiths and Philip Johnston. Mark Hodgkins will be invited to attend as appropriate. The Audit Committee is expected to meet formally at least four times a year and otherwise as required. It has the responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed and its role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal controls and risk management systems (to enable compliance with the AIM Rules and with MAR), reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

The Remuneration Committee

The Remuneration Committee is chaired by Lesley Jackson and its other members are lan Griffiths and Mark Hodgkins. The Remuneration Committee is expected to meet at least twice each year. It will have responsibility for determining, within the agreed terms of reference, the Company's policy on remuneration packages of the Company's Chairman, the executive Directors, Senior Managers and such other members of the executive management as it is designated to consider. The Remuneration Committee will also have responsibility for determining (within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive officer) the total individual remuneration package for each executive Director and other designated senior executives (including bonuses, incentive payments and share options or other share awards). The remuneration of non-executive Directors will be a matter for the Chairman and executive Directors of the Board. No Director or Manager will be allowed to partake in any discussions as to their own remuneration. In addition, the Remuneration Committee will have the responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. It will also have responsibility for recommending new appointments to the Board.

The Nomination Committee

The Nomination Committee is chaired by Ian Griffiths and its other members are Lesley Jackson and Philip Johnston. The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise that will be needed on the Board in the future. The Nomination Committee will meet at least twice a year.

Internal Controls and Financial Management

The Board has responsibility for establishing and monitoring the maintenance of the Company's internal financial and non-financial controls. The Board is cognisant that whilst internal controls reduce risk it cannot eliminate the risk entirely.

The key procedures which the Directors have established to enable to have confidence that the controls are working and minimising risk are set out below.

- The Board sets policies which are regularly reviewed both by executive management and the audit committee
 and gains assurance that these policies are appropriate to address the key financial, operational, compliance and
 reputational risks.
- · Authorisation limits are in place
 - The Board ensures that appropriately qualified people are in place to exercise the controls that are in place;
 - Company performance is measured against diligently prepared budgets and variations are reviewed on a monthly basis;
 - The business has appropriate segregation of duties and limits to individual's ability to authorise transactions;
- · Financial planning and monitoring
 - The Company sets annual budgets which cover operating performance and balance sheet management including working capital;
 - The Board reviews the performance monthly and re-evaluates future performance
- Policies, procedures and authorisation limits
 - The Company has sufficient authorisation limits in place which cover the key areas for the business.

Quality and Integrity of Personnel

The Company aims to recruit the highest calibre employees that it is able to do with high recruitment standards. Employees with integrity and strong work place ethics are considered essential to the operation of the control environment.

Identification of business risks

The Directors are responsible for identifying the significant business risks and their execution for this task is monitored by the Audit Committee as well as the main Board.

Going Concern

The Directors have prepared the financial statements on a going concern basis as explained in note 2.1 to the financial statements. As at 31 December 2018 the Company had cash deposits of £2.786 million. The Company also had undrawn funding facilities of £700,000 in place which it does not envisage utilising, thus there are sufficient funds available to meet its liabilities as they fall due for a period not less than twelve months from the date of approval of the financial statements.

Principal Risks and Uncertainties Report

KEY: ● Low risk ● Medium risk ● High risk

RISK	DESCRIPTION AND POTENTIAL IMPACT	MITIGATION
Failing to successfully implement our growth strategies	Our future success is dependent on the effective implementation of our growth and diversification strategies. The Company's ability to implement its business strategy successfully may be adversely impacted by factors that the Company cannot currently foresee, such as unanticipated market forces, costs and expenses or technological factors. Should it be unsuccessful in implementing its strategy or should it take longer than expected to implement, the future financial results of the Company could be negatively impacted.	We focus our management effort to address the Company's strategic goals and we have clear functional leadership. We continually assess our management capacity as well as our progress and remain alert to the changes in the market that impacts on our strategy. The Board monitors the executive's progress against the targets set.
IHT market adoption	The Company is still at a relatively early stage of engagement with IHT market participants. The Company is reliant, to some extent, on the IHT market participants increasing orders and engagement over the medium-term future. The Directors are confident about the early positive indications from various IHT customers. However, if the anticipated IHT market development is slower than anticipated, there is a risk that the future financial results of the Company could be negatively impacted.	Further penetration of the possible markets for IHT have reinforced that the technology has a wide spread of applications. As this develops the risk of market adoption will reduce further.
Customer concentration	The Company's customer base is concentrated. Approximately 44% of the Company's revenue for the year ended 31 December 2018 was derived from 4 customers. Any deterioration of the Company's relationship with any one of these customers, or the loss of orders (or a reduction in the gross or net margin in respect of the Company's orders) from any one of these, could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.	As we develop our IHT strategy and increase the acceptance of the new product our customer concentration decreases. This decrease in exposure to risk is expected to fall in the future. Furthermore we pay good attenton to monitoring our relationship with our key customers to moderate any adverse reaction from these customers.
Protection of intellectual property	The technology used by the Company includes a specific manufacturing technique used to create IHT products. This process has been developed and is owned by the Company. Trademarks of the Company are registered and unregistered. The Company is dependent on proprietary rights in relation to this technology process, which relies on laws governing copyrights, trademarks and confidentiality. The Company is also dependent on contractual provisions regarding intellectual property ownership and licensing. These laws enable the Company to protect and/or enforce intellectual property rights, including the ability to restrict use of the manufacturing process to those who have obtained relevant authorisation. If the Company cannot successfully enforce its intellectual property rights, this could have a material adverse effect on the Company's business, financial condition and prospects.	The Company is vigilant as to whether others are adopting processes that infringe our IPR. This review is applied regularly, and any potential infringement is pursued.
Technological risk	The Company has developed an innovative solution to wiring harnesses that the Directors believe will offer superior advantages to traditional alternatives. Should technological developments improve wiring harnesses or offer an alternative solution to IHT, Trackwise's product may become obsolete or may be superseded by new technologies. The Company may be forced to stop producing IHT or reduce its prices which could have a material impact on the financial performance of the Company.	The Management are constantly reviewing the other options that could arise to IHT whilst at the same time we focus on continued development of the IHT technology.

RISK	DESCRIPTION AND POTENTIAL IMPACT	MITIGATION
Disruption to operations or systems	The Company depends on the performance, reliability and availability of its plant, equipment and information technology systems. Any damage to, or failure of, its equipment and/or systems could result in disruption to the Company's operations. The Company's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover any loss in full or in part or damage that it suffers fully or at all, which could have a materially adverse effect on the Company's business, financial condition and results of operations.	The Company has a permanent planned maintenance programme to ensure preventative maintenance and protect from unforeseen down time of machines. Additionally, the Company monitors all its equipment on a daily basis and is continually seeking to improve its processes wherever possible.
Exposure to exchange rate fluctuations	The Company is exposed to exchange rate fluctuations, principally the GBP, the US\$ and the Euro. Changes in foreign currency exchange rates may affect the Company's pricing of products sold and materials purchased in foreign currencies.	The Directors believe that its use of certain derivative financial instruments, including foreign currency forward contracts used to hedge sale commitments denominated in foreign currencies, reduces the Company's exposure to this risk.
The impact of Brexit	As at the date of this document the political, economic, legal and social consequences, the exact timing of the UKs exit from the European Union, as well as the potential ultimate outcome of any agreement between the UK and the European Union, remain uncertain. Such potentially prolonged uncertainty and the potential negative economic trends that may follow could have a material adverse effect on the Company's access to European markets, one of the Company's largest markets, which in turn could have a negative impact on the Company's business, financial position and/or results of operations.	The risk to a "No Deal" Brexit is now a strong possibility, the consequences of which cannot be known. The Company has incorporated an Irish subsidiary to manage the import/export of material which may prevent disruption but in this uncertain time we cannot predict its efficacy.

Brexit

The continuing political impasse concerning the terms upon which the United Kingdom will depart the European Union is causing uncertainty for the Company. We have a number of European nationals as employees who are important members of our team and the uncertainty they are facing could present difficulties for the Company. We are giving what support we can to those individuals but given the lack of clarity from the political institutions this cannot be a complete solution.

Furthermore, 70% of our RF revenue is generated from Europe and the uncertainty concerning the nature of the trading relationship we will have be it Customs Union, potential tariffs, WTO etc., means no concrete plans can be made.

We have incorporated an Irish subsidiary (Trackwise Europe Limited) which may aide the administrative burden of dealing with the European Union in the future but even this cannot be certain.

We have bought forward extra material supplies which we source from France to cover any disruption that might arise from a precipitative exit under the no-deal scenario though given the extension to April and the possibility of a longer extension it is questionable whether this precaution will have been of benefit. We will continue to carry heightened levels of material stock during this period of significantly higher uncertainty.

Given our plans for significant capital expenditure a sum of which is denominated in Euros we have bought forward currency volatility protection to minimise our exposure to any significant fall in the value of Sterling against the Euro.

The Directors have given due consideration to the impact of a no-deal Brexit and consider that the Going Concern assumption adopted in preparing these financial statements is appropriate.

Trackwise Board

Ion Griffiths

Non-Executive Chairman

lan brings wide-ranging international experience of the engineering business-to-business sector at both strategic and operational levels, having spent nearly 30 years with GKN plc.

lan served as a non-executive director on the Board of Ultra Electronics Holdings plc from 2003 to 2012. He has been a non-executive director of Renold plc since 2010 where he also chairs the Remuneration Committee and was Chairman of Hydro International Limited which he joined as a non-executive director and Chairman-elect in October 2014. He is also a non-executive director of AIM listed Autins Group plc which he joined in 2016.



Philip JohnstonChief Executive Officer

Philip's early career was in the space industry which included a key management role in the Prime Contractor team for Envisat, a large European satellite, managing multi-million ECU work packages involving different companies across Europe.

Philip joined Trackwise in 1999 and acquired the Company in 2000.

Under his stewardship the Company has enjoyed sustained growth based largely through export success and innovation. Philip is named inventor on several UK and international patents and he has led several Government supported R&D consortiums including a European CleanSky programme.



Mark Hodgkins

Chief Financial Officer & Company Secretary

Mark is a chartered accountant, a former audit partner with Grant Thornton and corporate finance partner with Ernst & Young. Since 2005 he has served as CFO of a large private business as well as CEO of several engineering businesses and a private industrial holding company.

As well as his role with the Company which began in May 2016, Mark is a non-executive director of EnSilica Limited a growing private fabless chip design business where he is responsible for overseeing the management's delivery of its growth strategy.



Lesley Jackson

Non-Executive Director

Lesley is the former CFO and executive director of Stock Spirits Group plc a position which she had held since 2011.

Before Stocks Spirit Group plc, Lesley was the CFO of United Breweries Ltd from 2005 to 2008 and the group finance director of William Grant & Sons Distillers Limited from 2008 to 2011.

Lesley is a Chartered Accountant.



Directors' Remuneration Report

The remuneration of senior executives is subject to the approval and oversight of the Remuneration Committee which is chaired by Lesley Jackson.

The remuneration policy of the Company is designed to promote steady development towards its strategic goals with regard to exploiting the IHT technology and maintaining the underpinning RF revenue stream.

In setting the measurement of executive performance careful observation is given to the risk profile of the business to reward solid dependable progress. The committee believes that the executive team should be rewarded for growth that endures and provides a good long-term growth path for investor returns.

Fixed pay is based on a market-based approach which takes into account the size of the Company, peer review of compensation packages and the experience and qualifications of the executive in question. Variable pay is designed to promote out-performance, which is both achievable, repeatable and sustainable.

Directors

The Directors of the Company are:

Philip Johnston Mark Hodgkins Ian Griffiths Lesley Jackson

As none of the Directors have had their appointment or re-appointment confirmed at a General Meeting then they all retire and offer themselves for re-appointment by the members at the Annual General Meeting.

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Directors' Interests – Interests in shares (audited)

	Holding Balance at 31 December 2018	of Share Capital at 31 December 2018
Phillip Johnston	4,815,775	32.60%
Mark Hodgkins	47,619	0.33%
Ian Griffiths	14,286	0.10%
Lesley Jackson	28,571	0.19%

Directors' Interests – Interests in share options (audited)

Details of options held by Directors who were in office at 31 December 2018 are set out below. Details of the Company's option schemes are set out in note 25 to the financial statements.

The market price of the Company's shares at 31 December was 100.5 pence. The range of market prices during the year was 98 pence to 118 pence.

	Date of Grant	Number	Exercise Price	Expiry Date
M Hodakins	15 June 2018	78690	£0.28	15 June 2028

Contracts of service

The Executive Directors, Philip Johnston and Mark Hodgkins, each have a service agreement containing one year's notice and claw back and malus clauses with regard to any paid or unpaid bonuses.

The Non-Executive Directors, Ian Griffiths and Lesley Jackson, have a service agreement with a three-month notice period.

Solories and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages for Executive Directors. The remuneration packages are benchmarked annually to ensure comparability with companies of a similar size and complexity. Remuneration comprises basic salary, pension contributions and benefits in kind. In addition, certain Directors are paid a car allowance or receive a contribution to their travel expenses.

Remuneration also includes share options and carried interest as detailed above.

	Salary £	Bonus £	Benefits & Car Allowance £	Pension £	Total 2018 £	Total 2017 £
P Johnston	156,458	_	19,202	12,117	187,777	140,549
M Hodgkins	* 185,618	_	6,375	6,250	* 198,243	0
I Griffiths	18,750	_	_	_	18,750	0
L Jackson	14,583	_	_	_	14,583	0

^{*} included in the remuneration of M Hodgkins are payments made to his personal services company of £112,238. M Hodgkins was appointed a director of the company on the 23 December 2017 and became an employee on 1 June 2018. His salary since 1 August 2018, the day after flotation and disclosed in the Company's admission document, is £150,000 per annum and there have been no alterations to that since flotation.

On behalf of the Board

Mark Hodgkins Company Secretary 10th April 2019

Directors' Report

Principal Activities

The principal activities of the Company are the manufacture of flexible Improved Harness Flex wiring solutions and large printed circuit boards for the mobile telephony industry. The results for the year are considered by the Directors to be satisfactory.

The Directors have set out their update on strategy and its development in the Chief Executive's Strategic Review on page 5 and that includes a review of the markets that the Company is addressing as well as the actions being taken to meet the strategic goals of the Company.

The Directors of the Company are:

Ian Griffiths Non-Executive Chairman
Philip Johnston Chief Executive Officer

Mark Hodgkins Chief Financial Officer and Company Secretary

Lesley Jackson Non-Executive Director

Statement of Director's Responsibilities

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

The Directors are required to prepare Financial Statements for each financial year. The Directors have elected to prepare the Company Financial Statements in compliance with IFRSs as adopted by the European Union as it applies to the Financial Statements of the Company for the year ended 31 December 2018.

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 estimates that are reasonable and prudent;
- · State whether the Financial Statements have been prepared in accordance with IFRS; and
- Provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to
 understand the impact of particular transactions, other events and conditions on the entity's financial position and
 financial performance;
- 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. 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.

Each of the persons who is a Director at the date of approval of this Annual Report confirms 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 he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Dividends

The Company's ability to pay dividends in the future is affected by a number of factors, principally the generation of distributable profits within the Company. The Board has adopted a progressive dividend policy for the Company subject to the availability of sufficient distributable profits. The Directors intend to commence the payment of dividends when it becomes commercially prudent to do so and expect to pay interim and final dividends in the approximate ration of 1/3 interim and 2/3 final.

Research and Development

The Company continues to develop their products to ensure that they remain at the forefront of their markets. The detail and cost of those developments are set out in the Chief Executive's Strategic Review and Chief Financial Officer's Report.

Director's indemnity

The Company's Articles of Association provide, subject to the provisions of United Kingdom legislation, for an indemnity for Directors and Officers of the Company with regard to liabilities that they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to proceedings brought against them which relates to anything done, or omitted, or anything alleged to have been done or omitted by them as officers or employees of the Company or Group.

Directors' Liability Insurance is in place in respect of all the Company's Directors.

Donations

The Company made no charitable or political donations during the year.

Independent Auditor

The Auditor, Mazars LLP, has indicated its willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at the Company premises – 1 Ashvale, Alexandra Way, Tewkesbury, Gloucestershire GL20 8NB on 26 June 2019 at 10.00 am.

Matters covered elsewhere

As permitted by Paragraph 1A of Schedule 7 to the large and medium sized companies and groups (Accounts and Reports) Regulations 2008 certain matters that are required to be disclosed in the Directors' Report have been omitted as they have been included in either the Strategic Review, Chief Financial Officer's Report or the Principal Risks and Uncertainties Report instead. These matters relate to the business review, principle risks and uncertainties, key performance indicators, future developments and research and development activity.

Other Information

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- In so far as the Directors are aware there is no relevant audit information of which the Company's Auditor is unaware;
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of relevant audit information and to establish that the Company's Auditor is 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.

By order of the Board

Mark Hodgkins Company Secretary 10th April 2019



Independent Auditor's Report to the members of Trackwise Designs plc

Opinion

We have audited the Financial Statements of Trackwise Designs plc (the 'Company') for the year ended 31 December 2018 which comprise the Company Statement of Comprehensive Income, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- · have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 UK, including the FRC's Ethical Standard, as applied to SME listed entities 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.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 16

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus

Revenue recognition

The Company's accounting policy for revenue recognition is set out in the accounting policy notes on "Revenue" on page 33.

Revenue is a material balance for Trackwise Designs plc and represents the largest balance in the Statement of Comprehensive Income. An error in this balance could significantly affect users' interpretation of the financial statements.

Therefore, we consider cut-off to be a key audit matter due to the potential to inappropriately record revenue in the wrong period.

Capitalisation of research and development expenditure

The Company has a significant intangible asset arising from the capitalisation of expenditure in respect of the development of its Improved Harness Technology ('IHT') product. The carrying value at 31 December 2018 was £2.5m.

Management exercise significant judgement when assessing the apportionment of costs to the development of the IHT product, and the expected future economic benefits through sale of the product. An error in the carrying value due to inappropriate judgement has the potential to have a material impact on the financial statements.

Therefore capitalisation of development cost is considered a key audit matter.

How our audit addressed the area of focus

Our procedures performed over revenue recognition included, but were not limited to:

- Review and walkthrough of the systems and controls in place surrounding revenue recognition, in particular cut-off;
- Testing a sample of revenue transactions around the year end to ensure they were accounted for in the appropriate period; and
- Reviewed for post year end credit notes that may reverse revenue previously reported during the year.

No material misstatements were identified in cut-off as a result of the audit procedures performed.

Our procedures performed over capitalisation of research and development expenditure included, but were not limited to:

- Testing a sample of additions to ensure they meet the recognition criteria of IAS 38. This included reviewing and challenging the apportionment of capitalised costs;
- Reviewing the level of sales in the period relating to the capitalised asset and the pipeline of forecasted IHT revenue to ensure technical and commercial feasibility of the product.

No material misstatements in capitalised costs were identified as a result of the audit procedures performed.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality £59,000

How we determined it This has been calculated with reference to the Company's revenue, of

which it represents approximately 1.7%.

Rationale for benchmark applied Revenue has been identified as the principal benchmark within

the financial statements as it is considered to be the focus of the

shareholders.

Performance materiality £41,000 calculated as approximately 70% of overall materiality.

Reporting threshold £1,800 calculated as approximately 3% of overall materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the Company, the structure of the Company and the industry in which it operates. We considered the risk of acts by the Company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006. We used the outputs of a risk assessment, our understanding of the Company's accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, 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 irregularities including fraud, review of minutes of Directors' meetings in the year and enquiries of management. As a result of our procedures, we did not identify any Key Audit Matters relating to irregularities, including fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under "Key audit matters" within this report.

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 year 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.

Matters on which we are required to report by exception

In light of the knowledge and understanding of 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.

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 20, 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.

Use of the audit report

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.

Louis Burns (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street Birmingham B3 2RT 10th April 2019

Company Statement of Comprehensive Income

For the year ended 31 December 2018

		2018	2017
	Notes	£'000	£'000
Revenue	3	3,468	2,821
Cost of sales *		(2,416)	(1,917)
Gross profit		1,052	904
Other operating income		_	22
Administrative expenses excluding exceptional costs and share based payment		(727)	(859)
Exceptional premises move costs		(45)	_
Share based payment charge		(155)	_
Total administrative expenses *		(927)	(837)
Operating profit	4	125	67
Finance income	6	8	_
Finance costs	6	(65)	(80)
Profit/(loss) before taxation		68	(13)
Taxation	7	7	21
Profit and total comprehensive income for the year		75	8
Earnings per share (pence)			
Basic	9	0.63	0.084
Diluted	9	0.61	0.084

^{*} The cost of sales for 2017 has been restated on a basis consistent with 2018 to include an additional £166,000 of direct production overheads as well as direct labour and materials with a corresponding reduction in administrative expenses.

Company Statement of Financial Position

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000	2016 £'000
ASSETS				
Non-current assets				
Intangible assets	10	2,619	1,649	1,136
Property, plant and equipment	11	1,264	1,257	893
		3,883	2,906	2,029
Current assets				
Inventories	12	380	313	278
Trade and other receivables	13	846	550	638
Current tax receivable		156	95	34
Cash and cash equivalents		2,786	166	122
		4,168	1,124	1,072
Total assets		8,051	4,030	3,101
LIABILITIES				
Current liabilities				
Trade and other payables	14	(815)	(1,123)	(504)
Derivative liability	17	_	(49)	_
Borrowings	15	(161)	(662)	(277)
		(976)	(1,834)	(781)
Non-current liabilities				
Deferred income – grants	14	(539)	(306)	(189)
Borrowings	15	(357)	(410)	(559)
Deferred tax liabilities	18	(308)	(254)	(234)
		(1,204)	(970)	(982)
Total liabilities		(2,180)	(2,804)	(1,763)
Net assets		5,871	1,226	1,338
EQUITY				
Share capital	20	591	14	14
Share premium account	20	4,234	_	_
Retained earnings		840	600	673
Revaluation reserve		206	245	284
Capital redemption reserve	20	_	367	367
Total equity		5,871	1,226	1,338

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Mark Hodgkins Director 10th April 2019

Company Statement of Changes in Equity

For the year ended December 2018

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Total equity £'000
At 1 January 2017	14	_	673	284	367	1,338
Profit and total comprehensive income for the year	_	_	8	_	_	8
Dividends paid	_	_	(120)	_	_	(120)
Revaluation realised in year	_	_	39	(39)	_	_
At 31 December 2017	14	_	600	245	367	1,226
Profit and total comprehensive income for the year	_	_	75	_	_	75
Bonus issue of shares	367	_	_	_	(367)	_
Issue of shares (net of £1,056,000 of issue expenses)	210	4,234	_	_	_	4,444
Share based payment	_	_	126	_	_	126
Revaluation realised in year	_	_	39	(39)	_	_
At 31 December 2018	591	4,234	840	206	_	5,871

Company Statement of Cash Flows

For the year ended December 2018

Net cash and cash equivalents at beginning of the year Net cash and cash equivalents at end of year (all cash balances)		2,786	166
Not each and each equivalents at hearinging of the corner		100	122
		166	400
Increase in cash and cash equivalents		2,620	44
Net cash from/(used in) financing activities		3,825	(177)
Repayment of capital element of finance lease contracts	15	(39)	(122)
Repayment of borrowings	15	(515)	(241)
Proceeds from borrowings	15	-	515
Increase/(decrease) in invoice discounting	15	_	(129)
Interest paid		(65)	(80)
Expenses relating to Share Capital issue		(1,056)	-
Share capital issued		5,500	_
Dividends paid to shareholders	8	-	(120)
Cash flow from financing activities			
Net cash used in investing activities		(1,134)	(659)
Interest received		8	
Grant funding – purchase of intangible assets		128	-
Purchase of intangible assets	10	(1,067)	(402)
Proceeds from sale of property, plant & equipment		11	-
Purchase of property, plant and equipment		(214)	(257)
Cash flow from investing activities			
Net cash (used in)/from operating activities		(71)	880
Income tax received		36	_
Cash generated from operations		(107)	880
(Decrease)/Increase in trade and other payables	14	(337)	599
(Increase)/decrease in trade and other receivables	13	(275)	88
Decrease/(increase) in inventories	12	(67)	(35)
Changes in working capital:			
Net finance costs	6	57	80
Amortisation of intangible assets	10	97	3
Profit on sale of fixed assets		(1)	-
Depreciation of property, plant & equipment	11	196	158
Employee share based payment charge		155	-
Adjustment for:			
Profit for the year before taxation		68	(13)
out now now operating doublines			
Cash flow from operating activities			

Notes to the company financial statements

For the year ended December 2018

1. Corporate information

Trackwise Designs Plc ("the Company") is a Public Company limited by Shares incorporated in the United Kingdom. The registered address of the Company is 1 Ashvale, Alexandra Way, Ashchurch, Tewkesbury, Gloucestershire, GL20 8NB.

The principal activity of the Company is the development, manufacture and sale of printed circuit boards.

2. Accounting policies

2.1 Basis of preparation

Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the applicable provisions of the Companies Act 2006. These are the first Annual Financial Statements prepared by the Company under IFRS and details of the transition are set out in note 24. These policies have been applied consistently to all periods presented, unless otherwise stated. In line with the transition provisions of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* the Company has elected to apply on transition to these standards on 1 January 2018 a limited retrospective approach. Applying a limited retrospective approach on adoption of IFRS 9 and IFRS 15 in 2018 results in no restatement of comparative periods and there have been no classification, measurement or recognition adjustments relating to application of these two new standards in these financial statements. No contract balances arise under IFRS15 as income is recognised when goods are despatched, and performance of the seller's obligations is complete.

Basis of measurement

The Financial Statements have been prepared on the historical cost basis as modified for the revaluation of plant on transition to IFRS and for certain financial instruments at fair value.

Going concern

The Directors have considered the principal risks and uncertainties facing the business, along with the Company's objectives, policies and processes for managing its exposure to financial risk. In making this assessment the Directors have prepared cash flows for the foreseeable future, being a period of at least 12 months from the expected date of approval of the financial statements. These forecasts show that the Company should be able to manage its working capital and existing resources to enable it to meet its liabilities as they fall due.

Based on the above factors, the Directors have prepared the Financial Statements on a going concern basis.

Consolidation

The Company is exempt by virtue of Section 402 of the Companies Act 2006 from the requirement to prepare group financial statements as the Directors consider its subsidiary is not material for the purposes of giving a true and fair view. These financial statements present information about the Company as an individual undertaking and not about its Group.

Functional and presentational currency

These Financial Statements are presented in Pound Sterling ("Sterling") rounded to the nearest thousand pounds.

Use of estimates and judgments

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

Management have estimated the useful life of assets based upon the period that the assets are able to and expected to generate revenue. These estimates are reviewed annually for continued appropriateness and events which may cause the estimate to be revised. (Note 11)

Share Based Payments

The Company uses the Black-Scholes option-pricing model where applicable, with inputs, in particular volatility, requiring significant judgement in application.

Intangible assets

Management have used their judgement in respect of the capitalisation of development costs. The viability of the new technology and know-how supported by the results of testing and customer trials and by forecasts for the overall value and timing of sales supports the approach taken. (Note 10)

Amortisation commences once management consider that the asset is available for use, i.e. when it is judged to be in the location and condition necessary for it to be capable of operating in the manner intended by management and the cost is amortised over the estimated useful life of the know-how based on expected customer product cycles and lives.

2.2 Revenue

Revenue comprises income from the sale of printed circuit boards and represents the amount receivable for the sale of goods, excluding VAT and trade discounts. Revenue is recognised when all of the following conditions have been satisfied:

- I. The Company has received and accepted the purchase order from the customer
- II. Sales prices are based on quotes for each customer's unique product and include transport which is insignificant in the context of the sale price. The sales price is determined after submission of a quote to each customer for their unique product and which has been agreed with them and includes transport which is also agreed with the customer
- III. Revenue is recognised when the goods have been despatched to the customer

2.3 Grants

Income based grants

Income based grants are recognised in other operating income based on the specific terms related to them as follows:

- A grant is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.
- If the terms of a grant do impose performance-related conditions then the grant is only recognised in income when the performance-related conditions are met.
- Any grants that are received before the revenue recognition criteria are met are recognised in the Statement of Financial Position as another creditor within liabilities.

Capital grants

Grants received relating to tangible and intangible fixed assets are treated as deferred income and released to the Statement of Comprehensive Income over the expected useful lives of the assets concerned.

2.4 Share based payment

The Company operates an equity-settled share-based compensation plan in which the Company receives services from employees as consideration for share options. The fair value of the services is recognised as an expense, determined by reference to the fair value of the options granted.

2.5 Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the Financial Statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2.6 Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable and separately recognised. After initial recognition, goodwill is measured at cost less accumulated impairment losses. See Note 2.10 for a description of impairment testing procedures.

2.7 Research and development cost

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- There is an ability to use, sell or licence the resultant asset;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised consist of employee costs incurred on development, direct costs including material or testing and an apportionment of appropriate overheads.

Where the above criteria are not met, development expenditure is charged to the consolidated Statement of Comprehensive Income in the period in which it is incurred.

Capitalised development costs are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of a development cost intangible asset with a finite basis useful life is allocated on a straight line basis over its useful life, currently expected to be 20 years. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for the assets with a finite useful life is reviewed at least each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly.

2.8 Patent costs

Patent cost assets are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The costs are amortised over the 15 year life of the patent.

2.9 Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price and any costs 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. On transition to IFRS, plant and equipment was revalued and this amount has been used as the deemed cost with no further revaluations.

After recognition, all property, plant and equipment (including Leasehold improvements and plant and machinery) is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements
Plant and machinery

Straight line over the period of the lease 10-33% straight line

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

2.10 Impairment of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceed its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset, first against the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount (see note 10).

2.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and an appropriate proportion of fixed and variable overheads incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the estimated selling price less costs to complete and sell. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

2.12 Financial instruments

The Company classifies all of its financial assets at amortised cost. Financial assets do not comprise prepayments. Management determines the classification of its financial assets at initial recognition.

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's financial assets held at amortised cost comprises trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Financial assets

Financial assets are recognised in the Statement of Financial Position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value, which is usually the cost, plus directly attributable transaction costs.

Financial assets are measured at amortised cost using an effective interest method and discounting is omitted where the effect is immaterial.

Impairment provisions are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities

Financial liabilities include borrowings, trade and other payables and derivatives in respect of forward foreign exchange contracts.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the Statement of Financial Position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than derivatives, are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities, other than derivatives, are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

Derivatives are measured at fair value through profit and loss for any movements.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

2.13 Leased assets

Finance leases and hire purchase obligations

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Company is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease or hire purchase payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease or hire purchase liability.

This liability is reduced by payments net of finance charges. The interest element of lease payments represents a constant periodic rate of interest on the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

2.15 Foreign currencies

Transactions entered into by the Company in a currency other than the functional currency of sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Statement of Comprehensive Income.

The Company does not apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. The Company utilises forward exchange contracts to mitigate the risk of adverse exchange rate movements on foreign currency denominated revenue. These derivatives are measured at the fair market value, at the reporting date, with the fair value gain or loss movements arising being recognised within administrative expenses in the Statement of Comprehensive Income.

2.16 Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the excess consideration received over the nominal value of share capital upon the sale of shares, less any incidental costs of issue.

Retained earnings include all current and prior period retained profits.

The revaluation reserve represents the extent to which a revaluation of plant on transition to IFRS exceeded the historical net book value. Transfers are made to retained earnings in respect of the depreciated element of the revaluation.

Capital redemption reserves are non-distributable reserves relating to the redemption or purchase of the Company's own shares.

2.17 Standards, amendments and interpretations in issue but not yet effective

The following new standards, interpretations and amendments that may or will have an effect on the Company's future financial statements are:

IFRS 16 Leases

This standard is effective for accounting periods beginning on or after 1 January 2019 and will therefore impact the results for the year ending 31 December 2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease.

The most significant changes are in relation to lessee accounting for operating leases. Under the new standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Under this new model, substantially all lease contracts will result in a lessee acquiring a right-to-use asset and obtaining financing. The lessee will be required to recognise a corresponding asset and liability. The asset will be depreciated over the term of the lease and the interest on the financing liability will be charged over the same period.

Adopting this new standard will result in a material change to the Statement of Financial Position, with right-to-use assets and accompanying financing liabilities for the Company's lease of premises being recognised for the first time. Based on the current lease in place it is estimated that an asset and corresponding liability of approximately £0.7m would be accounted for as at 31 December 2018

There are no other new standards, interpretations and amendments which are not yet effective in these Financial Statements, expected to have a material effect on the Company's future Financial Statements.

3 Segmental reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker. The chief operating decision maker is considered to be the Board of Directors.

The Company comprised only one operating segment until 31 December 2017 for the sale of printed circuit boards. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results. From January 2018 the RF and IHT activities have begun to be separately reviewed and monitored. Revenue of £2,862,000 arose from RF and £606,000 from IHT in the year ended 31 December 2018.

All assets, liabilities and revenues are located in, or derived from, the United Kingdom. The material assets and liabilities relate to overall activity with the exception of the intangible development costs and deferred grants which are solely in respect of IHT.

In 2018 the Company had a major customer who represented 26% of revenue reported in the Europe segment (2017: 2 customers representing 33% and 14%).

Turnover by geographical destination

	2018 £'000	
UK	866	702
Europe	2,368	1,983
Other	234	136
	3,468	2,821
Operating Profit by geographical destination		
	2018 £'000	
UK	31	17
Europe	85	47
Other	9	3
	125	67

4 Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting)		
Amortisation of intangible assets	97	6
Depreciation of property, plant and equipment	196	155
Grant income (note 10)	_	(22)
Cost of inventory sold	1,331	1,073
Development expenditure expensed in year	_	75
Foreign exchange (gains)/loss	14	65
(Gain)/Loss on fair valued derivative	(49)	49
Operating lease expenses	125	91
Costs of moving main premises	45	_
Share based payment charge	155	_
Staff payroll costs (net of capitalised development costs)	1,178	879

During the year the Auditors received £31,000 for audit services and £132,423 for non audit services of which £120,000 was related to the flotation of the Company on AIM.

5 Staff and key management personnel

Average monthly number of employees	2018 Number	2017 Number
Management and administration	13	10
Production	29	23
	42	33
Payroll costs	£'000	£'000
Gross salaries	1,401	933
Social security costs	139	85
Share based payment	155	_
Other pension contributions	58	35
	1,753	1,053

The directors' remuneration was as follows.

Year ended 31 December 2018	Salary £'000	Benefits £'000	Pension £'000	Total £'000
P Johnston	156	19	12	187
M Hodgkins	186	6	6	198
I Griffiths	19	_	_	19
L Jackson	15	_	_	15
	376	25	18	419

Year ended 31 December 2017	Salary	Benefits	Pension	Total
	£'000	£'000	£'000	£'000
P Johnston	121	_	7	128

6 Finance income and Expense

	2018 £'000	2017 £'000
Finance income		
Interest receivable on bank deposits	8	_
Finance expense		
Interest payable on loans and overdrafts	30	63
Interest payable on finance leases	35	17
	65	80

7. Income tax

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax:	61	41
Total current tax credit	61	41
Deferred tax:		
Origination and reversal of temporary differences	(39)	(20)
Effect of change in tax rate on opening liability	-	_
Adjustment for prior periods	(15)	_
Total deferred tax expense	(54)	(20)
Total tax credit	7	21

The tax rate used for the reconciliation is the corporate tax rate of 19% (2017: 19.25%) payable by corporate entities in the UK on taxable profits under UK tax law. Changes to reduce the corporation tax rate to 17% from 1 April 2020 have been substantively enacted. The tax rate used to calculate deferred tax is 17% (2017: 17%), being the rate at which the timing differences are expected to unwind based on currently enacted UK corporate tax legislation.

The credit for the year can be reconciled to the profit/(loss) for the year as follows:

	2018 £'000	2017 £'000
Profit/(loss) before taxation	68	(13)
Income tax calculated at 19% (2017: 19.25% 2016: 20%)	(14)	3
Disallowable expenses including share based payment	(27)	_
Enhanced research and development allowances	37	28
Adjustment for prior periods	(15)	_
Differing deferred tax and R&D tax credit rates	26	(10)
Total tax credit	7	21

In addition to the tax credit, a further development expenditure tax related credit of £35,000 (2017: £20,000) is included in operating expenses.

8 Dividends paid and proposed

Amounts recognised as distributions to equity holders in the period:

	2018 £'000	2017 £'000
Interim ordinary dividends paid for the year ended 31 December 2018 of £nil (2017: £8.47) paid per ordinary share	-	120

9 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Familian	0040	0047
Earnings	2018 £'000	2017 £'000
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to the shareholders	75	8
Number of shares	2018	2017
Weighted average number of ordinary shares for the purposes of basic earnings per share	11,830,427	9,534,275
Weighted average number of ordinary shares for the purposes of diluted earnings per share	12,370,189	9,534,275
Earnings per Share (pence)		
Basic Diluted	0.63 0.61	0.084 0.084

The earnings per share for both periods above is calculated from the number of £0.04 ordinary shares in issue at 30 June 2018 of 9,534,275. This reflected the 14,176 £1 shares allotted as of 31 December 2017, an issue of 367,195 £1 ordinary shares to existing shareholders utilising the capital redemption reserve on 28 June 2018 and a subdivision of £1 shares into £0.04 shares on 28 June 2018. On 24 July 2018, 5,238,097 £0.04 ordinary shares were issued at £1.05 per share.

Options over 990,015 shares (after the subdivision) were granted to employees on 15 June 2018 which are potentially dilutive shares. They are exercisable at 28.25 pence per share after a period of 3 years. The share-based payment charge of 72.25 pence per option share has been measured using the Black Scholes model applying the three-year vesting period, a volatility of 50% and annual risk free rate of 1.5%.

10 Intangible assets

	Goodwill £'000	Patent costs £'000	Computer Software £'000	Development costs £'000	Total £'000
Cost					
As at 1 January 2017	104	52	78	987	1,221
Additions	_	3	_	516	519
As at 31 December 2017	104	55	78	1,503	1,740
Additions	-	7	11	1,049	1,067
As at 31 December 2018	104	62	89	2,552	2,807
Amortisation or impairment					
As at 31 January 2017	_	13	72	_	85
Charge	_	3	3	_	6
As at 31 December 2017	-	16	75	_	91
Charge	_	3	2	92	97
As at 31 December 2018	-	19	77	92	188
Carrying amount					
As at 31 December 2016	104	39	6	987	1,136
As at 31 December 2017	104	39	3	1,503	1,649
As at 31 December 2018	104	43	12	2,460	2,619

The carrying amount of goodwill relates to the acquisition of the original RF technology based business, whilst all the capitalised development costs relate to projects in respect of the Company's Improved Harness Technology ('IHT') process for unlimited length printed circuit boards and know-how which has since been developed by the Company with amortisation on the initial development projects commencing in 2018.

To determine the values of the costs capitalised management include the actual cost of purchase for all materials which are acquired for product development purposes, they collect daily time analyses of work performed by design or product engineers which captures the time spent on development activities which is then evaluated using a labour rate appropriate for the engineer who has worked the time and finally an element of direct relevant overhead cost is incorporated to reflect the additional cost of operating the developmental department of the Company.

Impairment tests for goodwill

The Company tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The carrying values are assessed on a value in use basis for impairment purposes by calculating the net present value (NPV) of future cash flows arising from the original acquired business. The goodwill impairment review assessed whether the carrying value of goodwill was supported by the NPV of future cash flows based on management forecasts for 5 years, an assumed growth rate of 1% (2017: 1%) for the next 5 years and a discount rate of 12% (2017: 12%). There is significant headroom in the assessment from a range of reasonable sensitivities.

Government grants

The Company has received aggregate grants from UK and European government research and development initiatives amounting to £633,000 (2017: £306,000) which fund a proportion of development work and which have been deferred in line with the capitalised development cost assets above that they relate to. In addition, £nil (2017: £22,000) of similar government technology income related grants have been recognised in other operating income. There are no unfulfilled conditions or contingencies attached to the grants.

11 Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2017	62	1,531	1,593
Additions	159	360	519
As at 31 December 2017	221	1,891	2,112
Additions	154	60	214
Disposals	_	(44)	(44)
As at 31 December 2018	375	1,907	2,282
Depreciation			
At 1 January 2017	62	638	700
Charge	_	155	155
As at 31 December 2017	62	793	855
Charge	29	167	196
Disposals	_	(33)	(33)
As at 31 December 2018	91	927	1,018
Carrying amount			
As at 31 December 2016	-	893	893
As at 31 December 2017	159	1,098	1,257
As at 31 December 2018	284	980	1,264

Included within the carrying amount of the above, are assets held under finance leases of £692,000 (2017: £660,000) relating to plant and machinery.

12 Inventories

	2018 £'000	2017 £'000	2016 £'000
Raw materials	222	143	141
Work in progress	58	122	104
Finished goods	100	48	33
	380	313	278

There is no material difference between the value of inventories stated and their replacement cost. There are no material stock provisions at any period end, neither have material amounts of stock been written off in any of the periods presented.

13 Trade and other receivables

	2018 £'000	2017 £'000	2016 £'000
Trade receivables	524	419	577
Other receivables	26	99	46
Prepayments and accrued income	296	32	15
	846	550	638

Trade receivables are stated net of impairment for estimated irrecoverable amounts of £nil (2017: £61,000). There has been no material write off or change in impairment throughout the periods covered and as a result no expected credit loss provision is made for these. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables past their due dates but not impaired were:

	Less than 60 days overdue £'000	60 to 120 days overdue £'000	More than 120 days overdue £'000
31 December 2016	7	_	_
31 December 2017	24	56	2
31 December 2018	15	12	-

The Directors consider the credit quality of trade and other receivables that are neither past due nor impaired to be of good quality.

14 Trade and other payables

	2018 £'000	2017 £'000	2016 £'000
Amounts falling due within one year:			
Trade payables	332	428	421
Taxes and social security costs	49	32	28
Other payables	44	476	20
Accruals and deferred income	390	187	35
	815	1,123	504
Amounts falling due after more than one year:			
Deferred income - grants	539	306	189

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

15 Borrowings

	2018	2017	2016
	£'000	£'000	£'000
Amounts falling due within one year:			
Revolving credit facility	_	515	_
Invoice discounting facility	_	_	129
Bank loans	_	_	44
Finance leases (note 16)	161	147	104
	161	662	277
Amounts falling due after more than one year:			
Bank loans	_	_	197
Finance leases (note 16)	357	410	362
	357	410	559
Total borrowings	518	1,072	836

The revolving credit facility was secured by fixed and floating charges over the property and other assets of the Company and bore interest at a market rate for the facility which was typically 10%. Finance leases are secured on the specific tangible fixed assets to which they relate.

Financing activities and movements in total borrowings

	£'000
As at 31 December 2016	836
Cash movements:	
Decrease in invoice discounting	(129)
Repayment of loans	(241)
Revolving loan advanced	515
Finance lease repayments	(122)
Interest paid	(80)
Non-cash movements:	
Interest accrued	80
New finance leases	213
As at 31 December 2017	1,072
Cash movements:	
Repayment of revolving loan	(515)
Revolving loan advanced	_
Finance lease repayments	(164)
Interest paid	(65)
Non-cash movements:	
Interest accrued	65
New finance leases	125
As at 31 December 2018	518

16 Finance leases

	2018 £'000	2017 £'000	2016 £'000
Minimum lease payments under finance leases are as follows:			
In one year or less	185	169	120
Between one and five years	414	474	414
	599	643	534
Future finance charges	(81)	(86)	(68)
Present value of finance lease liabilities	518	557	466

17 Financial instruments and capital management

Risk management

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's innovation and flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Company is exposed to financial risks in respect of market, credit, foreign exchange, liquidity and interest rate risk.

Capital management

The Company's capital comprises all components of equity which includes share capital, retained earnings and other reserves as indicated in the Statement of Financial Position.

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders, and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Company consists of Shareholders equity with all working capital requirements financed from cash and revolving credit facilities.

The Company sets the amount of capital it requires in proportion to risk. It manages its capital structure and makes adjustments to it in the light of changes in economic conditions, terms of borrowing facilities and the risk characteristics of the underlying assets and activity. The Company has complied with the minimum net asset requirements which are required by the borrowing facility. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets to reduce debt.

Market risks

These arise from the nature and location of the customer markets, foreign exchange and interest rate risks.

The Company trades within the UK, European and US aeronautical and communications markets, and accordingly there is a risk relating to the underlying performance of these markets. The Directors monitor this and the foreign exchange risk closely with the intention to foresee downturns in trade or changes in the use of technology.

Foreign exchange risk

The Company trades in overseas markets and, whilst it has net foreign currency balances, has forward contracts in place with an option to sell foreign currency receipts at a fixed rate which it uses to manage pricing and the exposure to currency risks. There has therefore been limited sensitivity to fluctuations in exchange rates.

The company had the following net cash, sales ledger and purchase ledger balances denominated in foreign currencies:

	2018 £'000	2017 £'000	2016 £'000
Euro denominated	92	313	337
US dollar denominated	11	(20)	(6)

Interest rate risk

The Company entered into a revolving credit facility with Growth Street in 2017, in order to finance development of the key technology, upon which interest was charged at a variable market rate for facilities of this nature. The outstanding value of this facility at 31 December 2017 was £515,000 on which the variable interest charged has typically been at a rate of 10%. This was fully repaid in 2018 and the Company now holds cash balances. The Directors do not consider that the Company is exposed to a material risk from fluctuations in these interest rates; had the base rate been 1.0% higher throughout the 2017 financial year this would have increased the interest cost by approximately £6,000.

The Company makes use of fixed rate finance lease or hire purchase agreements to acquire property, plant and equipment; this ensures that the Company maintains its existing working capital and ensures certainty of costs at the point of acquisition of those assets. These liabilities are set out in note 16.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and attempts to mitigate credit risk by assessing the creditworthiness of customers and closely monitoring payments history. Given the long experience of the Company with its customers and in view of the systems and relations with customers that the Company has, the Directors do not consider there is any significant risk at the balance sheet date.

The ageing of debtors is included in note 13. There have been no material impairments to trade or other receivables invoiced within the 3 years included within these financial statements.

Credit risk on cash and cash equivalents is considered to be minimal as the counterparties are all substantial banks with high credit ratings.

Liquidity risk

The maturity of the Company's financial liabilities including borrowing facilities detailed above is as set out below. Current liabilities were payable on demand or to normal trade credit terms with the exception of finance leases payable monthly. The derivative liability in 2017 related to a forward exchange contract expiring within a year. Liquidity risk of the business is managed by the preparation of and monitoring of a rolling weekly cash forecast which is integrated with a regular review of credit risk exposure (as detailed above) and the Board level review of three-month rolling finance facility headroom.

At 31 December 2016	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
Trade and other payables	441	_	_
Invoice discounting	129	_	_
Bank loans	44	44	153
Finance leases	120	120	294
	734	164	447
At 31 December 2017	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
Trade and other payables	903	_	_
Bank loans	515	_	_
Finance leases	169	169	305
	1,587	169	305
At 31 December 2018	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
Trade and other payables	543	_	_
Finance leases (incl. interest)	185	180	234
	728	180	234

Classification of financial instruments

All financial assets are held at amortised cost, and all financial liabilities have been classified as other financial liabilities measured at amortised cost with the exception of the forward currency contract measured at fair value as a derivative instrument.

Financial assets			
	2018 £'000	2017 £'000	2016 £'000
Trade and other receivables	550	550	638
Cash and cash equivalents	2,786	166	122
	3,336	716	760
Financial liabilities			
rmancial nabilities	2018 £'000	2017 £'000	2016 £'000
At amortised cost			
Trade and other payables	543	961	476
Invoice discounting	-	-	129
Bank loans	-	515	241
Finance leases	518	557	466
	1,061	2,033	1,312
At fair value			
Derivative liability	-	49	_

18 Deferred tax liabilities

Liability/(asset) in respect of:

	Accelerated/ (decelerated) capital allowances £'000	Intangible assets £'000	Share Based Payment £'000	Losses £'000	Total £'000
As at 31 December 2016	148	99	_	(13)	234
Debit to profit or loss	17	68	_	(65)	20
As at 31 December 2017	165	167	_	(78)	254
Debit to profit or loss	6	104	(36)	(20)	54
As at 31 December 2018	171	271	(36)	(98)	308

19 Defined contribution scheme

The Company contributes to personal pension plans for the benefit of certain employees. The pension cost charge represents contributions payable by the Company to the fund.

	2018	2017	2016
	£'000	£'000	£'000
Contributions payable by the Company for the year	58	35	31

20 Share capital

	2018 £'000	2017 £'000	2016 £'000
Allotted, called up and fully paid			
14,772,372 Ordinary Shares of £0.04 each	591	_	_
14,175 Ordinary Shares of £1 each	-	14	14
1 'A' Ordinary Share of £1 each	-	_	_
	591	14	14

Ordinary shares have equal rights to votes in any circumstances and are non-redeemable.

Ordinary shares have rights to receive dividends and capital distributions.

There was an issue of $367,195 \,\pounds 1$ ordinary shares to existing Shareholders utilising the capital redemption reserve on 28 June 2018 and a subdivision of all the £1 shares into $9,534,275 \,\pounds 0.04$ ordinary shares on 28 June 2018. On 24 July 2018, $5,238,097 \,\pounds 0.04$ ordinary shares were issued at £1.05 per share. This included a share premium amount of £5,290,000 against which £1,056,000 of share issue expenses were debited resulting in a net amount of £4,234,000 in the share premium account.

	2018 £'000	2017 £'000	2016 £'000
Analysis of Movements in Share Capital			
1 January	14,176	14,176	14,176
Bonus Issue	367,195	_	_
Sub-Division Sub-Division	9,152,904	_	_
Share Issue	5,238,097	-	_
31 December	14,772,372	14,176	14,176

21 Contingent liabilities

At 31 December 2018, the Company had no contingent liabilities (2017: none).

22 Financial commitments

At 31 December 2018, the Company's future minimum rentals payable under non-cancellable operating leases were as follows:

	2018 £'000	2017 £'000	2016 £'000
Land and buildings			
In one year or less	110	106	60
Between one and five years	328	411	_
Total financial commitments	438	517	60

The company leases its premises under a 10-year lease with a break option available after 5 years.

23 Ultimate controlling party and related party transactions

There was no individual controlling party as at 31 December 2018.

The key management personnel are considered to be the Directors. Please refer to Note 5 for details of key management personnel remuneration. M Hodgkins, a Director of the Company, holds options over 78,690 ordinary shares in the Company (see note 9). A company controlled by M Hodgkins, Manumit Strategies Limited, invoiced £75,420 of fees and expenses to the Company in respect of consultancy services relating to the AIM listing.

A motor vehicle was sold to P Johnston, a Director of the Company, for £13,425 during the year.

24 IFRS transition adjustments

The Statement of Comprehensive Income for the year ended 31 December 2017 and the Statement of Financial Position as of 31 December 2017 is extracted from the 31 December 2017 audited financial statements prepared under UK Financial Reporting Standard 102. These have been adjusted to apply IFRS as presented in the Company's AIM listing document with a transition date of 1 January 2017, together with a reclassification of production overhead expenses from administrative expenses to costs of sales.

IFRS 3 'Business combinations': There are no business combinations that occurred after the transition date. Under the IFRS 1 exemption, the net book value of goodwill carried at the transition date has been adopted as cost at that date and is no longer amortised. It is subject to annual impairment testing resulting in a reversal of the amortisation charge of £19,000 for the year ended 31 December 2017 and £53,000 of accumulated amortisation at 31 December 2017.

IFRS 1 and IAS 16: The Company applied the transition option under IFRS1 to fair value plant and equipment and to use this as deemed cost at transition resulting in an increase in net book value at 1 January 2017 of £284,000.

Deferred taxation has been applied in respect of the adjustments made. This resulted in an additional £77,000 deferred tax liability at transition in respect of the increased fixed asset values and additional tax credits of £25,000 for the three years ended 31 December 2017 with £2,000 of this relating to 2017 and a net increase in the deferred tax liability at 31 December 2017 of £52,000.

Income statement for the year ended 31 December 2017

	Depreciation			
UK GAAP as reported £'000	oorted amortisation	Tax		
		adjustments Reclassification		IFRS
		£'000	£'000	£'000
2,821	_	_	_	2,821
(1,749)	(2)	-	(166)	(1,917)
1,072	(2)	_	(166)	904
22	_	_	_	22
(1,044)	19	-	166	(859)
50	17	_	_	67
(80)	_	-	-	(80)
(30)	17	_	_	(13)
19	_	2	_	21
ie				
(11)	17	2	_	8
	as reported £'000 2,821 (1,749) 1,072 22 (1,044) 50 (80) (30) 19	UK GAAP as reported £'000 amortisation £'000 2,821 - (1,749) (2) 1,072 (2) 22 - (1,044) 19 50 17 (80) - (30) 17 19 -	UK GAAP as reported 2,000 and 2,000 Tax adjustments Recl. £'000 2,821 — — (1,749) (2) — 1,072 (2) — 22 — — (1,044) 19 — 50 17 — (80) — — (30) 17 — 19 — 2	UK GAAP as reported £'000 and £'000 Tax adjustments Reclassification £'000 2,821 — — — (1,749) (2) — (166) 1,072 (2) — (166) 22 — — — (1,044) 19 — 166 50 17 — — (80) — — — (30) 17 — — 19 — 2 —

Statement of financial position as at 1 January 2017

	UK GAAP	Revaluation of	Reverse amortisation			
	as reported £'000	fixed assets £'000	Deferred tax £'000	of goodwill Recla	assification £'000	IFRS £'000
Intangible assets	1,096	_	_	34	6	1,136
Tangible assets	615	284	_	_	(6)	893
Current assets	1,072	_	_	_	_	1,072
Current liabilities	(781)	_	_	_	_	(781)
Non-current liabilities	(928)	_	(54)	_	_	(982)
Net assets	1,074	284	(54)	34	_	1,338
Share capital	14	_	_	_	_	14
Capital redemption reserve	367	_	_	_	_	367
Revaluation reserve	_	284	_	_	_	284
Retained earnings	693	_	(54)	34	_	673
Total equity	1,074	284	(54)	34	_	1,338

Statement of financial position as at 31 December 2017

	UK GAAP	Revaluation of	Reverse amortisation			
	as reported £'000	fixed assets £'000	Deferred tax £'000	of goodwill Recl £'000	assification £'000	IFRS £'000
Intangible assets	1,593	_	_	53	3	1,649
Tangible assets	976	284	_	_	(3)	1,257
Current assets	1,124	_	_	_	_	1,124
Current liabilities	(1,834)	_	_	_	_	(1,834)
Non-current liabilities	(918)	_	(52)	_	-	(970)
Net assets	941	284	(52)	53	-	1,226
Share capital	14	_	_	_	_	14
Capital redemption reserve	367	_	_	_	_	367
Revaluation reserve	-	245	_	_	_	245
Retained earnings	560	39	(52)	53	-	600
Total equity	941	284	(52)	53	_	1,226

25. Share Option Plan

Introduction

The Company established the EMI Share Option Plan on 15 June 2018 which allows for the grant of enterprise management incentive share options which qualify for favourable tax treatment under the provisions of Schedule 5 to Income Tax (Earnings and Pensions) Act 2003 (ITEPA) (EMI Options) and awards of non-qualifying options (together Awards).

The awards are not transferable. Only the person to whom an Award is granted or his or her personal representatives may acquire Ordinary Shares pursuant to an Award

The Board and Remuneration Committee has overall responsibility for the operation and administration of the Share Option Plan and discretion to select the persons to whom Awards are to be granted.

Size of EMI Options grants/plan limits

The Company will grant EMI Options for as long as the Company satisfies the qualifying conditions set out in the EMI Code.

Under the EMI Code, an employee may hold EMI Options over Ordinary Shares with a value (as at the date of grant) up to £250,000.

Where this threshold is exceeded, the employee may not receive EMI Options for three years. He may, however, receive non-qualifying Awards, subject to the limit as set out below.

Unless the Remuneration Committee otherwise determines, the aggregate number of Ordinary Shares over which Awards may be granted under the Share Option Plan on any date shall be limited so that the total number of Ordinary Shares issued and issuable pursuant to Awards granted under the Share Option Plan and any other share scheme operated by the Company in any rolling 10-year period will be restricted to 10 per cent of the Company's issued Ordinary Share capital from time to time calculated at the relevant time.

Rights to attaching to shares

Ordinary Shares issued in connection with the exercise of Awards will rank equally with Ordinary Shares of the same class then in issue. Application will be made for admission to trading on AIM of new Ordinary Shares issued.

Malus and Clawback

The Remuneration Committee may apply clawback where at any time before or within a year of vesting it determines that the final results of the Company were misstated. The Remuneration Committee may also apply the clawback at any time if it is discovered that the participant engaged in fraudulent or dishonest conduct prior to vesting that justified, or would have justified, summary dismissal from office or employment.

Awards

Included in these awards are options over 78,690 Ordinary Shares granted to Mark Hodgkins, one of the Directors.

26. Adjusted Operating Profit and EBITDA

In monitoring the performance of the business the Directors focus on operating profit adjusted for material non-recurring or non-trading expenses and the adjustments so made are set out below:

Adjusted Operating profit:	£
Operating profit	125,000
Add back: Share based payments	155,000
Costs relating to factory move	45,000
Adjusted operating profit	325,000

The measure of EBITDA is not recognised by IFRS however it remains an important performance measure for management. The adjusted operating profit (see above) adjusted for depreciation and amortisation is calculated and set out below:

Adjusted EBITDA:	£
Operating profits	125,000
Depreciation	196,000
Amortisation	97,000
Share based payments	155,000
Move costs	45,000
Adjusted EBITDA	618,000

Officer and Professional Advisers

DIRECTORS Ian Griffiths Non-Executive Chairman

Philip Johnston Chief Executive Officer
Mark Hodgkins Chief Financial Officer
Lesley Jackson Non-Executive Director

SECRETARY Mark Hodgkins

REGISTERED OFFICE 1 Ashvale Registered in England/Wales Company no: 3959572

Trackwise Designs plc Alexandra Way

Tewkesbury Gloucestershire GL20 8NB

REGISTERED OFFICE The Black Church Registered in Ireland Company no: 635429

Trackwise Europe Ltd St. Mary's Place

Dublin 7 Ireland

AUDITORS Mazars LLP

45 Church Street Birmingham B3 2RT

LAWYERS Gateley Plc

111 Edmund Street Birmingham B3 2HJ

NOMINATED ADVISOR Arden Partners Plc

& BROKER 5 George Road Edghaston

Edgbaston Birmingham B15 1NP

REGISTRARS Equiniti Limited

Aspect House Spencer Road Lancing West Sussex BN99 6DA



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