

DY4 Systems UK Limited

Annual Report and Financial Statements

for the year ended 31 December 2018

Registered number: 03090342



DY4 Systems UK Limited

Annual report and financial statements for the year ended 31 December 2018

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DY4 Systems UK Limited

Annual report and financial statements for the year ended 31 December 2018

Officers and professional advisers

Directors

K Evans
R Shaw
G Tynan
A Symonds (resigned 31 March 2018)
K Barron (appointed 31 March 2018)

Company Secretary

Reed Smith Corporate Services Ltd.
K Evans
P Ferdenzi
H Jakubowitz
M O'Casal
R Shaw
G Tynan

Registered Office

15 Lambourne Crescent
Cardiff Business Park Llanishen
Cardiff
South Glamorgan
CF14 5GF

Bankers

HSBC Bank PLC
62/76 Park Street
London
SE1 9DZ
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
Mountbatten House
1 Grosvenor Square
Southampton
United Kingdom
SO15 2BZ

DY4 Systems UK Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2018. In preparing this strategic report, the directors have complied with s414C of the Companies Act 2006.

Principal activity

The principal activity of the Company is to distribute single board computers, ethernet switches, rugged/benign graphics and video and modified computers off the shelf.

Business review

Turnover in 2018 for DY4 Systems UK Ltd. was £20.3M, an increase of £0.6M (or 3.2%) from 2017 sales of £19.7M. A significant contributor to the year over year growth in turnover was the Scandinavian Aerospace and Industry AB Sea King Upgrade, as well as strong sales to existing customers. In 2018, the Company has made an operating profit of £0.9M (2017: loss of £0.2M).

DY4 Systems UK Ltd. operates as a sales office. The Company is a wholly owned subsidiary of DY4 Systems Inc. The Company's directors believe that further key performance indicators are neither necessary nor appropriate for an understanding of the development, performance or position of the business. The performance of its ultimate parent, Curtiss-Wright Corporation ("the Group") is discussed in the Curtiss-Wright Corporation's annual report, which does not form part of this report but is publicly available (note 16).

There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Key performance indicators

Curtiss-Wright Corporation manages its operations on a business segment basis of which Dy4 Systems UK Ltd. is part of the Defense segment. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding or the development, performance or position of the Company. The performance of various business segments, which includes the Company, are discussed in Curtiss-Wright Corporation Group Annual Report, which does not form part of this report.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Company, which could result in losing key sales to its competitors. The Company manages this risk by providing added-value services to its customers; responding to changing customer demands both in terms of product design and production deliveries and by maintaining strong relationships with customers.

The Company operates in a highly competitive market; this is a continuing risk. The decision of the United Kingdom to leave the EU is a risk that is being assessed by management but it is felt that our position in the global market will help to mitigate this risk.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cashflow risk

The Company's revenues are denominated in GBP, Euros and US Dollars. The Company is therefore exposed to the movement in the Euro and the US dollar against GBP, fluctuations in exchange rates will create uncertainties in future cash flows. All risks, including foreign exchange, liquidity, credit, and interest, are managed at the level of the ultimate parent.

Credit risk

The Company's principal financial assets are cash, trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

DY4 Systems UK Limited

Strategic report (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company has access to intercompany borrowing facilities.

Post balance sheet events

There have been no significant events since the Balance Sheet date.

Environment

Curtiss-Wright Corporation recognises the importance of its environmental responsibilities. The Company operates in accordance with Group policies, which are described in the Group's Annual Report, which does not form part of this Report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on the preceding page. The company meets its day-to-day working capital requirements through its profitable trading activities. The current economic conditions create uncertainty particularly over the level of demand for the industry the Company is operating in and the competition from other market players.

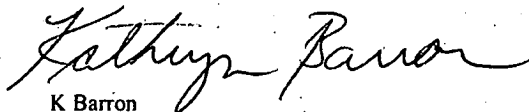
Forecasts and projections support the Company being able to operate within its expected level of cash resources. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for not less than 12 months from signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. See accounting policies note 1 for further information.

The future prospects of the Company are considered to be strong. The Company intends to continue to expand its operations in accordance with its medium term plans.

Future Development

Looking forward, the Company remains focused on renewed growth by exceeding the expectations of our customers, fostering solid long-term customer relationships and enhancing value for our stakeholders.

Approved by the Board and signed on its behalf by:



K Barron
Director

30 September 2019

DY4 Systems UK Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018. Details of future developments, research and development expenditure and financial risk management can be found in the Strategic Report on pages 2 and 3.

Directors, results and dividends

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

K Evans
R Shaw
G Tynan
A Symonds (resigned 31 March 2018)
K Barron (appointed 31 March 2018)

Results are disclosed in the Profit and loss account on page 9. The directors do not recommend payment of a dividend (2017: £nil).

Auditor

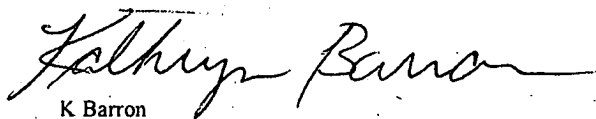
Each of the persons who is a director at the date of approval of this report confirms that:

- 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/she ought to have taken as a director in order to make himself/herself aware of any 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 s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



K Barron
Director

30 September 2019

DY4 Systems UK Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standards applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

Independent auditor's report to the members of DY4 Systems UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Dy4 Systems UK Ltd. (the Company):

- give a true and fair view of the 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account
- the balance sheet
- the statement of changes in equity; and
- the related notes 1 to 16

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements in 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 12 months from the date when the financials statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's response 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.

Independent auditor's report to the members of DY4 Systems UK Limited (continued)

Report on the audit of the financial statements

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 there is a material misstatement of this other information, we are required to report the fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 to 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:


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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of DY4 Systems UK Limited (continued)

Use of our 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.



Claire Siviter FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Southampton, United Kingdom
30 September 2019

DY4 Systems UK Limited

Profit and loss account For the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3	20,282,073	19,656,829
Cost of sales		(18,207,518)	(17,945,609)
Gross profit		<u>2,074,555</u>	<u>1,711,220</u>
Administration expenses	4	(870,367)	(925,929)
Other Operating expenses		(343,850)	(963,733)
Operating profit		<u>860,338</u>	<u>(178,441)</u>
Finance cost, net		(3,313)	(2,395)
Profit/(Loss) before taxation	6	<u>857,025</u>	<u>(180,836)</u>
Tax charge	8	(163,972)	51,658
Profit/(Loss) for the financial year attributable to the shareholders' equity of the Company		<u><u>693,053</u></u>	<u><u>(129,178)</u></u>

All results derive from continuing operations in both the current and preceding year.

There are no recognised gains and losses for the current and preceding year other than as shown in the profit and loss account above. Accordingly, no statement of comprehensive income is provided.

DY4 Systems UK Limited

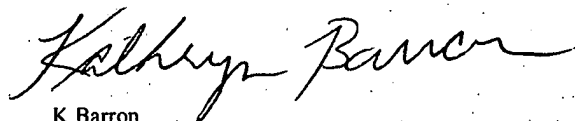
Balance sheet At 31 December 2018

	Notes	2018 £	2017 £
Intangible assets			
Intangible assets	9	65,198	81,165
Fixed assets			
Tangible assets	10		
Current assets			
Debtors	11	8,697,926	9,495,328
Cash at bank and in hand		633,021	2,615,964
		<u>9,330,947</u>	<u>12,111,292</u>
Creditors: amounts falling due within one year	12	<u>(3,829,938)</u>	<u>(7,319,303)</u>
Net current assets		<u>5,501,009</u>	<u>4,791,989</u>
Total assets less current liabilities, being net assets		<u>5,566,207</u>	<u>4,873,154</u>
Capital and reserves			
Called-up share capital	13	1	1
Share premium account		11,311	11,311
Profit and loss account		<u>5,554,895</u>	<u>4,861,842</u>
Shareholder's funds		<u>5,566,207</u>	<u>4,873,154</u>

The notes on pages 12 to 20 form part of the financial statements.

The financial statements of DY4 Systems UK Limited, registered number 03090342 were approved by the Board of Directors and authorised for issue on 30 September 2019.

Signed on behalf of the Board of Directors



K Barron
Director

DY4 Systems UK Limited

Statement of changes in equity At 31 December 2018

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 31 December 2016	1	11,311	4,991,020	5,002,332
Loss for the financial year	-	-	(129,178)	(129,178)
At 31 December 2017	1	11,311	4,861,842	4,873,154
Profit for the financial year	-	-	693,053	693,053
At 31 December 2018	1	11,311	5,554,895	5,566,207

DY4 Systems UK Limited

Notes to the financial statements For the Year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

DY4 Systems UK Ltd. is a private company Ltd. by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of DY4 Systems UK Ltd. is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

DY4 Systems UK Ltd. meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in FRS 102 paragraph 1.12. DY4 Systems UK Ltd. is consolidated in the financial statements of its parent, Curtiss Wright Corporation, which may be obtained from 130 Harbour Place Drive, Suite 300 Davidson, NC 28036, USA. Exemptions have been taken in these separate company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The Company meets its day-to-day working capital requirements through cash and intercompany borrowing facilities. The current economic conditions create uncertainty particularly over (a) the level of demand for the Company's products; (b) the exchange rate between sterling and US dollar and thus the consequence for the cost of the Company's raw materials; and (c) the availability of intercompany finance in the foreseeable future.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. As such, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

1. Accounting policies (continued)

Intangible assets

Separately acquired licences and design rights are included at cost as developed technologies and amortised in equal annual instalments over a period of 15 years, which is their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation and any provision for impairment. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant equipment fixtures and fittings	2 – 7 years
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Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are taken to the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pension costs

The Company operates a defined contribution pension scheme. Contributions are charged in the Profit and loss account as they become payable in accordance with the rules of the scheme.

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances.

i) Significant judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Company's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

ii) Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The directors do not consider there to be any estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

3. Turnover

Turnover is derived from the Company's principal business activity. The directors consider there to be one class of business activity as set out in the directors' report. The geographical analysis of turnover by destination is as below:

	2018 £	2017 £
United Kingdom	7,160,388	6,939,652
Rest of Europe	8,293,389	8,037,725
Rest of World	4,828,296	4,679,452
Total	<u>20,282,073</u>	<u>19,656,829</u>

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

4. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	2018 No	2017 No
Average number of employees		
Sales and administration	8	8

	2018 £	2017 £
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	741,856	792,699
Social security costs	95,628	103,149
Other pension costs	32,883	30,081
	<u>870,367</u>	<u>925,929</u>

5. Director's remuneration

	2018 £	2017 £
Directors' emoluments	225,189	218,354
Pension contributions	7,221	7,060
	<u>232,410</u>	<u>225,413</u>

The above amount relates to one director. The other directors are remunerated by the ultimate parent company, Curtiss-Wright Corporation, and their emoluments and pension details are disclosed in the accounts of that company. It is not possible to allocate their remuneration between their services as directors of DY4 Systems UK Ltd. and their services to other group companies.

A commission payment of £85,247 (2017: £87,587) is included in directors' emoluments. The number of directors with pension benefits accruing under defined contribution pension scheme of the Company is 1 (2017: 1).

6. Profit before taxation

Profit before taxation is stated after (crediting)/charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	-	628
Amortisation of intangible assets	15,967	15,967
Operating lease rentals		
- land and buildings	13,635	18,196
Foreign exchange (gain)/ loss	<u>(198,445)</u>	<u>507,989</u>

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

7. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £38,311 (2017: £37,615).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

8. Tax on Profit

	2018 £	2017 £
Current tax		
UK corporation tax credit for the year	162,493	(53,705)
Adjustment in respect of prior years	0	14,192
Total current tax charge/(credit)	162,493	(39,513)
Deferred tax		
Origination/reversal of timing differences	1,443	442
Adjustment in respect of prior years	-	(14,358)
Adjustment due to rate change	36	1,771
Total deferred tax movement	1,479	(12,145)
Tax charge/(credit) on profit/(loss)	163,971	(51,658)

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 19% (2017: 19.25%). The actual tax charge for the current year and the previous year differs from the standard rate for the reasons explained in the following reconciliation:

	2018 £	2017 £
Current tax reconciliation		
Profit/(Loss) before tax	857,024	(180,836)
Current tax credit at 19% (2017: 19.25%)	162,835	(34,811)
Expenses not deductible for tax purposes	1,101	(18,452)
Origination/reversal of timing differences	(1,443)	(442)
Adjustments in respect of prior years	0	14,192
Current tax charge/(credit) for the year	162,493	(39,513)

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

8. Tax on profit (continued)

Deferred tax reconciliation

Deferred tax assets recognized in the financial statements are as follows:

	2018 £	2017 £
Depreciation in excess of capital allowance	17,905	21,114
Employer pension contribution	963	501
Long-term incentive compensation	13,373	13,169
Balance, end of period	<u>32,241</u>	<u>34,784</u>

The movements in deferred tax assets during the years are as follows:

	2018 £	2017 £
Balance, beginning of the year	34,784	22,639
Credit to the profit and loss account	(1,479)	12,145
Balance, end of the year	<u>32,241</u>	<u>34,784</u>

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018, and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020 setting the rate at 17%. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

9. Intangible assets – developed technologies

	Developed technologies £
Cost	
At 1 January 2018 and 31 December 2018	238,174
Accumulated amortization	
At 1 January 2018	(157,009)
Charge for the year	(15,967)
At 31 December 2018	<u>(172,976)</u>
Net book value	
At 31 December 2018	<u>65,198</u>
At 31 December 2017	<u>81,165</u>

On February 4, 2008, the Company acquired the net assets of Pentland Systems Ltd; included within the net assets were licences and design rights valued at £238,174, which were recorded as developed technologies.

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

10. Tangible fixed assets

	Plant, equipment, fixtures and fittings £
Cost	
At 1 January 2018 and 31 December 2018	227,010
Accumulated depreciation	
At 1 January 2018	(227,010)
Charge for the year	-
At 31 December 2018	<u>(227,010)</u>
Net book value	-
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

11. Debtors

	2018 £	2017 £
Trade debtors	6,357,773	7,858,038
Amounts owed by group undertakings	2,089,608	294,313
Prepayments	-	23,965
Deferred tax asset (note 8)	32,241	34,784
VAT recoverable	183,359	1,126,154
Corporation tax receivable	34,945	158,073
	<u>8,697,926</u>	<u>9,495,328</u>

Amounts owed by group undertakings are collectable on demand and interest free.

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

12. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,287,050	2,113,002
Amounts owed to group undertakings	1,941,518	4,214,370
Accruals and deferred income	531,975	713,215
VAT payable	33,504	16,716
Corporation tax payable	-	-
Provision for losses on long-term contracts	35,891	272,000
	<u>3,826,938</u>	<u>7,329,303</u>

Amounts owed to group undertakings are payable on demand and interest free.

Included in accruals and deferred income is deferred income of £168,018 (2017: £403,810).

13. Called-up share capital

	2018 £	2017 £
Allotted, called-up and fully-paid Ordinary shares of £1 each	<u>1</u>	<u>1</u>

14. Financial commitments

Capital commitments

There were no capital commitments at 31 December 2018 (2017: £nil).

Lease commitments

Total future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	2018 £	2017 £
Within one year	17,500	17,500
Between one and five years	70,000	70,000
After five years	17,500	35,000
	<u>105,000</u>	<u>122,500</u>

DY4 Systems UK Limited

Notes to the financial statements (continued) For the Year ended 31 December 2018

15. Defined Contribution scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions.

The total expense charged to the profit and loss account in the year ended 31 December 2018 was £32,883 (2017: £30,081) represents contributions paid to this scheme by the group at rates specified in the rules of the plan. There was an amount of £nil outstanding as at 31 December 2018 (2017: £467).

16. Ultimate parent company

The Company is a wholly-owned subsidiary undertaking of DY4 Systems Inc., a company incorporated in Canada. At 31 December 2018, the largest group in which the results of the Company are consolidated was that headed by Curtiss-Wright Corporation, a company incorporated in the United States of America and with shares listed on the New York Stock Exchange. The consolidated accounts of this company are available to the public and may be obtained from the ultimate parent's registered office at 13925 Ballantyne Corporate Place, Suite 400, Charlotte, NC 28277, USA. The smallest group in which the results of the company are consolidated is that headed by DY4 Systems Inc. The consolidated accounts of this company may be obtained from their registered office at 333 Palladium Drive, Kanata, ON K2V 1A6, Canada.