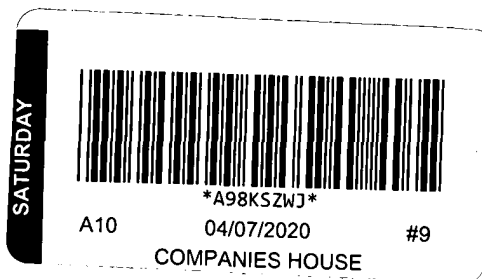


Company Registration No. 03574242

DF GROUP LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2019



DF GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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DF GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

S. Pryce
M. Nelson
R. Webb (Appointed 31 December 2019)
A. Sharma (Resigned 31 December 2019)

COMPANY SECRETARY

A. Prakash

REGISTERED OFFICE

35 Portman Square,
London,
W1H 6LR

AUDITOR

Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading, RG1 3BD

BANKERS

The Royal Bank of Scotland plc
135 Bishopsgate
London, EC2M 3UR

DF GROUP LIMITED

STRATEGIC REPORT (continued)

The directors present their Strategic Report on DF Group Limited ("the Company"), a company limited by shares, for the year ended 31 December 2019. The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

CAUTIONARY STATEMENT

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the company's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

PRINCIPAL ACTIVITY

The principal activity is that of a holding company. The Company will continue to hold certain investments in subsidiary undertakings. During the year, the Company had no employees.

During 2020 the COVID-19 pandemic has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale and continue to cause disruptions to the date of signing these financial statements.

The principal activity of DF Group Limited is that of a holding company. Its trading subsidiary entities are based in the USA and predominantly trade with customers and suppliers in the USA. The subsidiary entities are currently operating broadly as normal, all facilities remain open and productive, and there has been no significant disruption to product or programme delivery. Where possible, home working has been introduced across the subsidiary entities and shop floor practices have been amended to meet recommendations on social distancing and employee protection. A response plan has been developed for the subsidiary entities with detailed actions to mitigate any possible profitability, liquidity and cash flow challenges that may arise.

RESULTS AND PERFORMANCE

The profit for the year, after taxation, was \$32.5m (2018: \$78.1m). During the year the Company received dividend income of \$35.5m from its subsidiary Ultra Electronics Swiss Holdings Limited (2018: \$368.5m, including dividends from the Company's other subsidiary Ultra Electronics USA Group Inc.). A dividend of \$35.6m (2018: \$97.0m) was paid during the year.

At year end, the Company had net assets of \$787.9m (2018: \$791.0m).

During 2019, Ultra Electronics Holdings plc disposed of the Airport Systems business, which resulted in DF Group recognising an impairment on the loan receivable from this intergroup business as the balance was no longer collectable after the sale. This reduced profit by \$4.6m. In the prior year, there was a \$289m impairment following a review of the recoverability of investments within the Company structure.

WORKING WITH OUR STAKEHOLDERS

Our approach

In discharging the Board's s172 responsibilities to promote the success of the company for its members as a whole, the Directors have regard, amongst other matters, to the:

- likely consequences of decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with customers, suppliers and others;
- impact on the Company's operation on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between shareholders / stakeholders.

The Company is a wholly-owned subsidiary of Ultra Electronics Holdings plc ("Parent"), has no employees and is a holding company with a term loan, which is a listed debt instrument. As such, it is subject to the Group's internal governance arrangements, including its delegated authority matrix, as is usual for a subsidiary entity that is part of a wider group. This matrix affects the decisions required to be taken by the Company with some matters requiring the

DF GROUP LIMITED

STRATEGIC REPORT (continued)

approval of the Board of Parent, others requiring the approval of the Chief Executive and/or other members of the Executive Team.

Whilst the Company is required to set out how its Board discharges its duties under section 172 of the Companies Act 2006, this statement should be viewed in the context of the Company's position as a subsidiary of a listed parent and part of a wider Group.

As set out in its 2019 Annual Report and Accounts, the Company's Parent has defined a framework setting out Group goals for each of the Group's key stakeholder groups. These goals, which were agreed by the Parent Board, are applicable to each Group company, including the Company, via its subsidiary trading business units and progress is monitored monthly at Divisional level and with the Executive Team.

The following table provides a summary of these Group goals. Please see the 2019 Annual Report and Accounts of Ultra Electronics Holdings plc for full details of Group-wide stakeholder engagement.

Employees	Customers	Suppliers	Communities	Investors
Group Goal: Create a dynamic, inclusive and inspiring work environment that attracts, develops and retains the best diverse talent pool.	Group Goal: Partner with customers as preferred suppliers delivering innovative solutions that create "win-win" outcomes for all parties.	Group Goal: Develop Group-wide supplier partners with like-minded values that provide best value solutions, technical innovation and support mutual success, fairness and respect.	Group Goal: To conduct business in an ethical, safe and sustainable way, acting as a positive force and making an active contribution to our communities.	Group Goal: Deliver outstanding, through-cycle value for shareholders through effective execution of Ultra's strategy.

A Group-wide review of subsidiary governance is under way, which will take into account the enhanced section 172 reporting requirements for each of the subsidiaries of the Parent and will provide clarity on decision making throughout the businesses within the Ultra Group.

Principal Decisions

As with decisions taken by the Parent Board, depending on the circumstances, and where the Company Board is required to approve a particular matter, as part of the decision-making and approval process, the Board receives information to help it understand the interests and views of relevant stakeholders when making principal decisions which are material to the Company or have a potentially significant impact on any particular stakeholders. Examples of how the Board considered the relevant impact on stakeholders, in addition to the need to maintain a reputation for high standards of ethical business conduct when making principal decisions are summarised below:

Dividend payments to Ultra Electronics Holdings plc

Dividend payments were made in the year to the Company's parent Ultra Electronics Holdings plc. The dividends distributed in the year totaled \$35.6m at \$0.67 per ordinary share. The directors considered the requirements of the parent when declaring the dividends and the ability of the Company to make such a dividend. The latter also included considering the impact of the impairment of Company debtors due to the disposal of Airport Systems from the Ultra Electronics Group in the year. As this is a holding company there were no other stakeholders impacted.

This page describes how the Directors have considered the matters set out in section 172(1) of the Companies Act 2006, as amended by the Companies (Miscellaneous Reporting) Regulations 2018, when performing their duty to promote the success of the Company.

PRINCIPAL RISK AND UNCERTAINTIES

The Company holds direct investments in two subsidiaries and is therefore exposed to the risk of impairment. The risk is managed through the Ultra Group's risk management framework, as set out on pages 40 to 46 of the Ultra Electronics Holdings plc annual report. Annual impairment reviews are conducted at each balance sheet date, including sensitivity analysis.

The Company holds loans due from subsidiary companies and is therefore exposed to the risk of recoverability. The risk is managed through close management of trading entities to whom the loans are provided.

DF GROUP LIMITED

STRATEGIC REPORT (continued)

FUTURE PROSPECTS

The Company anticipates to continue operating as a holding company for direct investments in Ultra Electronics Swiss Holdings Limited (a holding company) and Ultra Electronics USA Group Inc. (a US Investment company). The Company meets its day-to-day working capital requirements through available cash funds, which remain in a strong position.

KEY PERFORMANCE INDICATORS

The Company is an intermediary holding company wholly owned by Ultra Electronics Holdings plc. Therefore, the directors do not believe that key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business.

Approved by the Board and signed on its behalf by:

DocuSigned by:
Richard Webb
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R. Webb

Director

24 June 2020

DF GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of DF Group Limited and the audited financial statements for the year ended 31 December 2019.

DIVIDENDS

Dividends of \$35.6m at \$0.67 per ordinary share were paid during the year (2018: \$97.0m at \$1.82 per ordinary share). Dividends of \$35.5m were received during the year from its subsidiary Ultra Electronics Swiss Holdings Limited (2018: \$368.5m from its subsidiaries Ultra Electronics Swiss Holdings Limited and Ultra Electronics USA Group Inc.).

In April 2020 the Board approved a dividend of \$0.28 per share amounting to \$14.9m. This dividend was not included as a liability in these financial statements. In April 2020 the Company received a dividend of £14.9m from its subsidiary Ultra Electronics Swiss Holdings Limited.

DIRECTORS

The directors, who served during the year and to the date of signing, unless otherwise specified, are listed on page 1.

DIRECTORS' INDEMNITIES

The Company's ultimate parent company, Ultra Electronics Holdings plc, has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report. These third party indemnity provisions cover all of the directors of DF Group Limited and all of Ultra Electronics Holdings plc's subsidiaries.

GOING CONCERN

After making appropriate enquiries and considering the recent economic uncertainty and current and expected impacts of COVID-19 on the Company, the Board's view is that the Company has adequate resources to continue in existence for the foreseeable future. The Company's directors' assessment also considered the appropriateness of existing and future cash resources, including access to credit facilities through Ultra Electronics Holdings plc, the directors of which have provided a letter of support to the directors of the Company stating that Ultra Electronics Holding plc's current policy is to continue to provide financial and other support to the Company, if necessary, for the Company to continue to trade and pay its liabilities as and when they become due. The Company has no dependency on any external borrowings and creditors are predominantly intergroup. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AUDITOR

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

- So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The directors have taken all the steps they ought to have taken as a director in order to make themselves 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.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

DF GROUP LIMITED

DIRECTORS' REPORT (continued)

STRATEGIC REPORT

Disclosures relating to results and performance and future prospects have been disclosed in the Strategic Report on page 2.

Approved by the Board and signed on its behalf by:

DocuSigned by:

Richard Webb

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R. Webb

Director

24 June 2020

DF GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements for DF Group Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- 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 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. 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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to 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.

3. Summary of our audit approach




Key audit matters

The key audit matter that was identified in the current year was:

- Valuation of unlisted investments

Within this report, key audit matters are identified as follows:

Newly identified

-  Increased level of risk
-  Similar level of risk
-  Decreased level of risk

Materiality

The materiality that we used in the current year was \$3,900,000 which was determined on

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LIMITED

Report on the audit of the financial statements

	the basis of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	Our audit approach and materiality considerations remained consistent with the prior year.

4. 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 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.

We have nothing to report in respect of these matters.

5. 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) that we identified. These matters included 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.

5.1. Valuation of unlisted investments

Key audit matter description	<p>The company has unlisted investments of \$758,322,000 as at 31 December 2019, valued at cost less provision for impairment. The investments balance is a 100% direct holding in Ultra Electronics USA Group Inc. and a 100% direct holding in Ultra Electronics Swiss Holdings Ltd.</p> <p>Judgement is required by the directors as to whether either of the investments should be impaired based on the financial position and future prospects of the investments. This takes into consideration a range of factors such as the trading performance, the expected cash flow growth and discount rates.</p> <p>Critical accounting estimates and judgements are included in note 3 to the financial statements</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls over the monitoring of the carrying value of unlisted investments.</p> <p>We challenged the discount rate and cash flow assumptions used by management in their investment impairment assessment, along with the historical accuracy of management's forecasts. With the involvement of our valuation specialists we benchmarked the discount rate against independently available data, together with performing peer group analysis. We</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LIMITED

Report on the audit of the financial statements

obtained support for secured orders and used our understanding of these orders to underpin the cash flow forecasts associated with each investment held, considered external data on forecast market growth, and reviewed the historical performance of the businesses.

Having challenged the assumptions, we checked that the investment impairment model had been prepared on the basis of management's assumptions and was arithmetically accurate. We challenged the appropriateness of management's sensitivities based on our work performed on the key assumptions, and recalculated these sensitised scenarios.

Key observations	Based on the work performed we concluded that the valuation of unlisted investments is appropriate.
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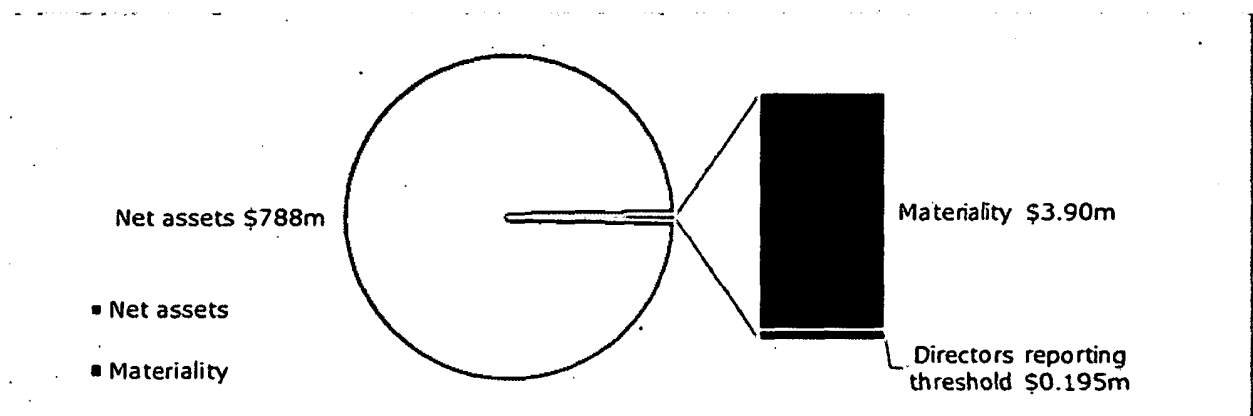
6. OUR APPLICATION OF MATERIALITY

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$3,900,000 (2018: \$3,900,000)
Basis for determining materiality	0.5% of net assets
Rationale for the benchmark applied	We determined materiality based on net assets as this is the key metric for the users of the financial statements, with the Company's value being driven by net assets value movements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- We have been the auditor for a number of years, over which time we have developed an in depth understanding of the business and its environment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LIMITED

Report on the audit of the financial statements

- The relative stability of the business and its operating environment is supported by a consistent number of significant risk balances identified through our detailed risk assessment compared with prior periods. No additional significant risks have been identified in the current year.
- We have identified a low number of uncorrected and corrected misstatements in prior periods.

6.3. Error reporting threshold

We agreed with the Directors that we would report to them all audit differences in excess of \$195,000 (2018: \$195,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. 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 respect of these matters.
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9. 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 have no realistic alternative but to do so.

10. 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LIMITED

Report on the audit of the financial statements

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

11. 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.

12. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

12.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

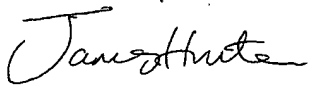
We have nothing to report in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LIMITED

Report on the audit of the financial statements

13. 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.



James Hunter FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

24 June 2020

DF GROUP LIMITED**INCOME STATEMENT****For the year ended 31 December 2019**

	Note	2019 \$m	2018 \$m
Income from shares in group undertakings	4	35.5	368.5
Administrative expenses	4	(0.3)	-
Impairment charge	4,8,9	(4.6)	(289.3)
Other operating income/(expenses)	4	1.3	(1.5)
OPERATING PROFIT		31.9	77.7
Interest income	4	34.4	16.9
Interest expense	4	(33.8)	(16.3)
PROFIT BEFORE TAXATION		32.5	78.3
Tax	7	-	(0.2)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		32.5	78.1

The Company has no recognised gains and losses other than those reflected above and therefore no separate statement of comprehensive income has been presented.


DF GROUP LIMITED**BALANCE SHEET**
As at 31 December 2019

	Note	2019 \$m	2018 restated \$m
NON-CURRENT ASSETS			
Investments in subsidiaries	8	758.3	758.3
Trade and other receivables	9	474.9	474.9
		<u>1,233.2</u>	<u>1,233.2</u>
CURRENT ASSETS			
Trade and other receivables	9	118.5	42.1
Cash and cash equivalents		6.9	7.9
Deferred tax asset	11	-	-
		<u>125.4</u>	<u>50.0</u>
TOTAL ASSETS		<u><u>1,358.6</u></u>	<u><u>1,283.2</u></u>
CURRENT LIABILITIES			
Trade and other payables	10	<u>(95.8)</u>	<u>(17.3)</u>
NON-CURRENT LIABILITIES			
Trade and other payables	10	<u>(474.9)</u>	<u>(474.9)</u>
TOTAL LIABILITIES		<u><u>(570.7)</u></u>	<u><u>(492.2)</u></u>
NET ASSETS		<u><u>787.9</u></u>	<u><u>791.0</u></u>
EQUITY			
Share capital	12	8.4	8.4
Share premium		600.7	600.7
Equity reserve		0.4	0.4
Retained earnings		<u>178.4</u>	<u>181.5</u>
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		<u><u>787.9</u></u>	<u><u>791.0</u></u>

The financial statements of DF Group Limited, company registration number 03574242, were approved by the board of directors and authorised for issue on 24 June 2020.

The restatement made to the 2018 Balance Sheet relates to the correction of a presentation error, more specifically the reclassification of an intercompany loan of \$474.9m from current assets to non-current assets to align with the loan expiration date.

They were signed on its behalf by:

DocuSigned by:

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R. Webb

Director

DF GROUP LIMITED**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2019**

	Note	Share capital \$m	Share premium \$m	Equity reserve \$m	Retained earnings \$m	Total \$m
BALANCE AT 1 JANUARY 2018		8.4	800.7	0.4	0.4	809.9
Total comprehensive income for the financial year		-	-	-	78.1	78.1
Dividends paid	6	-	-	-	(97.0)	(97.0)
Reduction of share premium	13	-	(200.0)	-	200.0	-
BALANCE AT 31 DECEMBER 2018		8.4	600.7	0.4	181.5	791.0
Total comprehensive income for the financial year		-	-	-	32.5	32.5
Dividends paid	6	-	-	-	(35.6)	(35.6)
BALANCE AT 31 DECEMBER 2019		8.4	600.7	0.4	178.4	787.9

DF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

DF Group Limited ("the Company") is a private limited company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company is a subsidiary of Ultra Electronics Holdings plc, which is incorporated in the United Kingdom and registered in England and Wales. 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.

These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the company operates.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements and disclosures required by IFRS 3, because it is included in the group accounts of Ultra Electronics Holdings plc. The group accounts of Ultra Electronics Holdings plc are available to the public and can be obtained as set out in note 15. The registered office address of the parent Company preparing consolidated accounts is 35 Portman Square, London, W1H 6LR.

2. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding year, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law. These financial statements present information about the Company as an individual undertaking and not about its group.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to business combinations, financial instruments, fair value measurements, capital management, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Going concern

After making appropriate enquiries and considering the recent economic uncertainty, the Board's view is that the Company has adequate resources to continue in existence for the foreseeable future. The Company has no dependency on any external borrowings and creditors are predominantly intergroup. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. More details on the going concern review and the impact Covid-19 has had on the Company's going concern review is included in the Director's Report on page 5.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Dividend income

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, it is probable that the economic benefits will flow to the Company and the amount can be measured reliably.

Taxation

Current tax, including UK corporation 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

DF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial instruments

IFRS 9

Classification and measurement

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

IFRS 9 divides all financial assets that were previously in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).

A debt instrument is measured at amortised cost if: a) the objective is to hold the financial asset for the collection of the contractual cash flows; and b) the contractual cash flows under the instrument solely represent payments of principal and interest. A debt instrument is measured at FVTOCI if: a) the objective is to hold the financial asset both for the collection of the contractual cash flows and selling financial assets, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt instruments must be measured at FVTPL.

Impairment

The amount of expected credit losses is updated at each reporting date.

Disclosure exemptions

The Company meets the definition of a qualifying entity within FRS 101; a member of a group where the parent of that group prepares publicly available consolidated financial statements, which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss), and that member is included in the consolidation. The Company is wholly owned by and is consolidated in the group financial statements of Ultra Electronics Holdings plc. The consolidated financial statements of the Group are available to the public and may be requested from the Company's registered address at 35 Portman Square, London, W1H 6LR.

DF GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2019****2. ACCOUNTING POLICIES (continued)**

As a qualifying entity, the Company has taken disclosure exemptions from the below paragraphs of FRS 101. Equivalent disclosures relating to these points have been made in the consolidated financial statements of the parent company.

- 8d – the requirements of IFRS 7 Financial Instruments: Disclosures to disclose details on financial instruments.
- 8h – the requirements of IAS 7 Statement of Cash Flows relating to the preparation of a Cash flow statement.
- 8j – the requirements of paragraphs 17 and 18(a) of IAS 24 *Related Party Disclosures* relating to disclosure of compensation paid to key management personnel, and transactions and outstanding balances with related parties, and;
- 8k – the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary, which is a party to the transaction, is wholly owned by such a member.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the Company's accounting policies

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the Company financial statements.

Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty in the reporting period, that may 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.

Recoverability of investments

Investments are assessed for impairment at each balance sheet date. Assessment of impairments requires estimates to be made of the value-in-use of the underlying investments. These value-in-use calculations are dependent on estimates of future cash flows and long-term growth rates. Following the review of the recoverability of investments, no impairment was identified as the value-in-use exceeds the book value. Sensitivity analysis has been performed on the value-in-use calculations to include a reduction in the post-2024 growth assumption from 2.5% to nil and application of a 10% reduction to forecast operating profits in each year of the modelled cash inflows. The value-in-use calculations exceed the carrying values after applying sensitivity analysis.

Impairment of amounts owed by group undertakings

Amounts owed by group undertakings are assessed for recoverability at each balance sheet date. An appropriate impairment is recorded for expected credit losses in accordance with the simplified approach permitted under IFRS 9. The Company measures the impairment at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. During 2019, Ultra Electronics Holdings plc disposed of the Airport Systems business, which resulted in DF Group requiring to impair the full loan receivable from this intergroup business. This reduced profit by \$4.6m. The carrying amount owed by remaining group undertakings at the balance sheet date was \$510.3m with no additional impairment loss recognised in 2019 (2018: \$514.0m owed with no impairment loss recognised).

DF GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2019**4. PROFIT BEFORE TAXATION**

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

	2019 \$m	2018 \$m
Dividend income	35.5	368.5
Administrative expenses	(0.3)	-
Impairment charge	(4.6)	(289.3)
Interest recharged to group undertakings	34.4	16.9
Interest recharged by group undertakings	(33.8)	(16.3)
Foreign exchange gain/(loss)	1.3	(1.5)

5. AUDITOR'S REMUNERATION

Auditor's remuneration was borne by the parent company, the amount attributable to the company is \$14,000 (2018: \$4,000) relating to the audit of the financial statements.

Fees payable to Deloitte LLP and their associates for non-audit services to the company or its parent 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.

6. DIVIDENDS

	2019 \$m	2018 \$m
Dividend for the year ended 31 December 2019 at \$0.67 (2018: \$1.82) per ordinary share	35.6	97.0

7. TAX

The tax charge comprises:	2019 \$m	2018 \$m
Current tax:		
Adjustments in respect of prior periods	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods	-	0.2
Total tax charge/(credit)	-	0.2

Corporation tax in the UK is calculated at 19.00% (2018: 19.00%) of the estimated assessable profit for the year.

DF GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2019****7. TAX (continued)****Factors affecting current tax charge**

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019	2018
	\$m	\$m
Profit before tax for the financial year	32.5	78.3
Tax at 19.00% thereon (2018: 19.00%)	6.2	14.9
UK dividend income not subject to tax	(6.7)	(70.0)
Impairment charge not deductible for tax	0.9	55.0
Free group relief (claimed)/surrendered	(0.4)	0.1
Prior year adjustment	-	0.2
Tax charge/(credit) for the year	-	0.2

8. INVESTMENTS IN SUBSIDIARIES

	2019	2018
	\$m	\$m
Cost brought forward	1,468.6	1,221.7
Additions in the year	-	246.9
Cost carried forward	1,468.6	1,468.6
Impairment brought forward	(710.3)	(421.0)
Impairment in the year	-	(289.3)
Impairment carried forward	(710.3)	(710.3)
Net book value	758.3	758.3

On 26 June 2018, the Company made a capital contribution of \$246.9m to its directly held subsidiary Ultra Electronics USA Group.

DF GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2019**8. INVESTMENTS IN SUBSIDIARIES (continued)**

The Company has the following directly and indirectly held subsidiaries. All holdings are of ordinary shares. Holdings in Ultra Electronics USA Group are fully impaired to nil at 31 December 2019 (2018: nil).

Name	Country of registration	Ordinary share capital held	Direct/ Indirect interest	Principal activity
3e Technologies International Inc.	USA	100%	Indirect	Trading company
EMS Development Corporation	USA	100%	Indirect	Trading company
ERAPSCO	USA	50%	Indirect	Trading company
Flightline Electronics Inc	USA	100%	Indirect	Trading company
Herley Industries Inc.	USA	100%	Indirect	Trading company
Prologic Inc.	USA	100%	Indirect	Trading company
Ultra Electronics Advanced Tactical Systems Inc.	USA	100%	Indirect	Trading company
Ultra Electronics Connecticut LLC.	USA	100%	Indirect	Trading company
Ultra Electronics Defense Inc.	USA	100%	Indirect	US Investment company
Ultra Electronics DNE Technologies Inc.	USA	100%	Indirect	Trading company
Ultra Electronics Enterprises (USA) LLC	USA	100%	Indirect	US Investment company
Ultra Electronics Finance Limited	Jersey	100%	Indirect	Jersey Investment company
Ultra Electronics ICE Inc.	USA	100%	Indirect	Trading company
Ultra Electronics Inc.	USA	100%	Indirect	US Investment company
Ultra Electronics Investments (USA) LLC	USA	100%	Indirect	US Investment company
Ultra Electronics Measurement Systems Inc	USA	100%	Indirect	Trading company
Ultra Electronics Ocean Systems Inc.	USA	100%	Indirect	Trading company
Ultra Electronics Precision Air and Land Systems Inc.	USA	100%	Indirect	Trading company
Ultra Electronics Secure Intelligence Systems Inc.	USA	100%	Indirect	Trading company
Ultra Electronics Swiss Holdings Limited	Great Britain	100%	Direct	Holding company
Ultra Electronics USA Group Inc.	USA	100%	Direct	US Investment company
UnderSea Sensor Systems Inc.	USA	100%	Indirect	Trading company
Weed Intrument Company Inc.	USA	100%	Indirect	Trading company

The principal activity of the trading subsidiary undertakings is the design, development and manufacture of electronic systems for the international defence and aerospace market.

DF GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2019**9. TRADE AND OTHER RECEIVABLES**

	2019 \$m	2018 restated \$m
Amounts falling due within one year:		
Amounts owed by group undertakings	118.5	42.1
Included in current assets	118.5	517.0
Amounts falling due after more than one year:		
Amounts owed by group undertakings	474.9	474.9
Included in non-current assets	474.9	474.9
Total trade and other receivables	593.4	517.0

Amounts owed by group undertakings are unsecured, interest bearing, with rates ranging from 0% to 8.03%. The amounts falling due within one year are receivable on demand.

During 2019, Ultra Electronics Holdings plc disposed of the Airport Systems business, which resulted in DF Group requiring to impair the full loan receivable from this intergroup business. This reduced profit by \$4.6m.

The restatement made to the 2018 Balance Sheet relates to the correction of a presentation error, more specifically the reclassification of an intercompany loan of \$474.9m from current assets to non-current assets to align with the loan expiration date.

10. TRADE AND OTHER PAYABLES

	2019 \$m	2018 \$m
Amounts falling due within one year:		
Amounts owed to group undertakings	88.1	9.3
Interest payable to subsidiary company	7.7	8.0
Included in current liabilities	95.8	17.3
Amounts falling due after more than one year:		
Term loan note due to subsidiary company	474.9	474.9
Included in non-current liabilities	474.9	474.9
Total trade and other payables	570.7	492.2

Amounts owed to group undertakings are unsecured, interest bearing, with rates ranging from 0% to 6.78% and repayable on demand. The term loan, which is a listed debt instrument, is due in two parts; \$220,000,000 due on 31 March 2027 and \$254,916,243 due on 21 August 2025, at which dates the company is obliged to pay its subsidiary company, Ultra Electronics Finance Limited, the outstanding debt including any related unpaid accrued interest. Interest is due and payable at six monthly intervals ending 31 March and 30 September. The term loan is unsecured and interest bearing, with an interest rate of 6.78% per annum in 2019. The term loan interest is based on the three-month US LIBOR rate plus a consistent markup. The fair value of the term loan note approximates its carrying amount as presented above.

DF GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2019**11. DEFERRED TAX**

	2019 \$m	2018 \$m
Balance brought forward	-	0.2
Credit/(charge) to income	-	(0.2)
	<u>-</u>	<u>-</u>
Balance carried forward	<u>-</u>	<u>-</u>

12. SHARE CAPITAL

	No. of shares	2019 \$'000	No. of shares	2018 \$'000
Authorised, issued and fully paid:				
\$0.1576 ordinary shares	53,200,002	8,383	53,200,002	8,383
\$1.5760 ordinary shares	300	1	300	1
\$1.2376 ordinary shares	1,000	1	1,000	1
	<u>53,201,302</u>	<u>8,385</u>	<u>53,201,302</u>	<u>8,385</u>

13. SHARE PREMIUM

A special resolution was passed by the Directors of the Company on 31 December 2018 to reduce the share premium account by \$200m. The effect of this reduction in the share premium account is an increase in the distributable reserves of the Company. There were no further changes in 2019.

14. RELATED PARTY TRANSACTIONS

The directors are executives or employees of the ultimate parent Company, Ultra Electronics Holdings plc, as well as being directors of DF Group Limited. It is not felt practical to allocate their remuneration between their services to Ultra Electronics Holdings plc and their services as directors of DF Group Limited. The total remuneration for the DFG directors in 2019 was \$4.3m. Details on the directors remuneration can be found on page 142 of the Ultra Electronics Holdings plc accounts.

15. CONTROLLING PARTY

In the opinion of the directors, the Company's ultimate parent Company and ultimate controlling party is Ultra Electronics Holdings plc, a Company incorporated in the United Kingdom. Copies of the group financial statements of Ultra Electronics Holdings plc are available from that company's registered office at 35 Portman Square, London, W1H 6LR. The Company's immediate controlling party is Ultra Electronics Holdings plc.

16. POST BALANCE SHEET EVENTS**Covid-19**

During 2020 the COVID-19 pandemic has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale and continue to cause disruptions to the date of signing these financial statements.

The principal activity of DF Group Limited is that of a holding company. Its trading subsidiary entities are based in the USA and predominantly trade with customers and suppliers in the USA. The subsidiary entities are currently operating broadly as normal, all facilities remain open and productive, and there has been no significant disruption to product or programme delivery. Where possible, home working has been introduced across the subsidiary entities and shop floor practices have been amended to meet recommendations on social distancing and employee protection. A response plan has been developed for the subsidiary entities with detailed actions to mitigate any possible profitability, liquidity and cash flow challenges that may arise.

DF GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the year ended 31 December 2019**

16. POST BALANCE SHEET EVENTS (continued)

Brexit

The principal activity of DF Group Limited is that of a holding company. Its subsidiary entities are based in the USA and predominantly trade with customers and suppliers in the USA. Management have considered the implications of Brexit on DF Group Limited and do not consider there to be any specific impacts to this entity.

Dividends

In April 2020, the Board approved a dividend of \$0.28 per share amounting to \$14.9m. This dividend was not included as a liability in these financial statements.

In April 2020, the Company received a dividend of £14.9m from its subsidiary Ultra Electronics Swiss Holdings Limited.