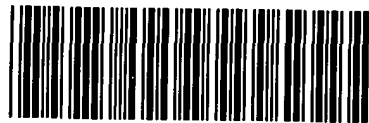


Company Registration No. 03574242

**DF GROUP LIMITED**

**Annual Report and Financial Statements  
For the year ended 31 December 2022**

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**DF GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

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## **DF GROUP LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

#### **OFFICERS AND PROFESSIONAL ADVISORS**

##### **DIRECTORS**

G. Kirk (appointed 9 December 2022)  
S. Pryce (resigned 9 December 2022)  
R. Webb

##### **COMPANY SECRETARY**

A. Prakash (resigned 27 September 2022)

##### **REGISTERED OFFICE**

Unit C1 Knaves Beech Business Centre Davies Way  
Loudwater  
Wooburn Green  
High Wycombe  
United Kingdom  
HP10 9UT

##### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
Reading  
United Kingdom  
RG1 3BD

##### **BANKERS**

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

## **DF GROUP LIMITED**

### **STRATEGIC REPORT**

The Directors present their Strategic Report on DF Group Limited ("the Company"), a company limited by shares, for the year ended 31 December 2022. 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.

#### **PRINCIPAL ACTIVITY**

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

#### **RESULTS AND PERFORMANCE**

The results of the Company, its subsidiaries and the subsidiaries of its immediate parent undertaking ("the Group") are consolidated into Cobham Ultra SeniorCo S.à r.l. ("the Parent company") for the period ended 31 December 2022.

The profit for the year, after taxation, was \$30.6m (2021: \$20.9m), driven by \$507.6m dividend income received from its subsidiary Ultra Electronics Swiss Holdings Company Limited (2021: \$20.9m from its subsidiary Ultra Electronics Swiss Holdings Company Limited).

Dividends totalling \$10.0m (2021: \$23.3m) were paid during the year to the Company's immediate parent, Ultra Electronics Holdings Limited.

An impairment loss of \$475.3m (2021: impairment loss of \$0.5m) was also recognised in the year following a review of the recoverability of the Company's investment in Ultra Electronics Swiss Holdings Company Limited. This is primarily due to the dividend received in the year which has significantly reduced the net assets of the subsidiary.

During the period, the Company repaid the term loan note of \$474.9m which was listed on The International Stock Exchange (TISE). Further details can be found in note 10 to the Financial Statements.

At year end, the Company had net assets of \$1,187.6m (2021: \$1,167.0m).

#### **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.

This section 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.

The Company is a wholly-owned indirect subsidiary of Cobham Ultra Senior Co S.à r.l. ("the Parent company"). The Company has no employees and is an intermediate holding company which was primarily funded by a listed term loan repaid during the year, using dividend income from subsidiaries. As such, it was 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 approval of the Board of the Parent company, others requiring the approval of 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 wider Group.

## **DF GROUP LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Principal Decisions**

As with decisions taken by the Parent company 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.

#### **Takeover of Parent Company by Advent International**

On 16 August 2021, Ultra Electronics Holdings plc's Board announced that they had reached agreement with the Board of Cobham Ultra Acquisitions Limited, a wholly-owned indirect subsidiary of Cobham Group Holdings Limited ("Cobham") on the terms and conditions of a recommended all cash acquisition of the entire issued, and to be issued, ordinary share capital of Ultra Electronics Holdings plc by Cobham (the "Acquisition").

In reaching this decision, the Ultra Electronics Holdings plc Board considered the implications of the Acquisition for each stakeholder group, in particular Employees, Customers, Suppliers, Communities and Investors. The Ultra Electronics Holdings plc Board took into account Advent/Cobham's statements and commitments to Ultra's workforce, for example commitments around no site closures and only recommended the offer once consultation with the pension trustees was complete. The Parent company Board also agreed non-financial terms and commitments in a Cooperation Agreement which provides undertakings to protect the interests of Ultra's key stakeholders, including the UK Government, that would apply immediately following completion of the Acquisition.

Having been advised by their financial advisers that the terms of the Acquisition were considered to be fair and reasonable, the Ultra Electronics Holdings plc Board recommended the Acquisition to shareholders via a court-sanctioned scheme of arrangement (the "Scheme"). The Scheme was approved by the Ultra Electronics Holdings plc's shareholders in October 2021. Court approval to enact the scheme was received on 28 July 2022, resulting in the closing of the transaction on 1 August 2022. Further details on the acquisition can be found in note 13.

#### **Dividend payments to Ultra Electronics Holdings Limited**

Dividend payments of \$10.0m at \$0.19 per ordinary share were made in the year to the Company's parent Ultra Electronics Holdings Limited (2021: \$23.3m at \$0.44 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. As this is a holding company there were no other stakeholders impacted.

#### **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. 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 credit risk, liquidity risk and cash flow risk. The risk is managed through close review, including a monthly review of the financial and operational performance, of the US trading entities who indirectly fund the interest funds to the Company and the loan counterparties.

The Company does not consider there to be any impact of climate change on its business.

#### **FUTURE PROSPECTS**

The Company anticipates to continue operating as a holding company for direct investments in Ultra Electronics Swiss Holdings Company 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.

We do not consider the Advent acquisition to have any implications on the future prospects of the Company, or the US trading subsidiaries who indirectly fund the interest and dividend payments into the Company.

## **DF GROUP LIMITED**

### **STRATEGIC REPORT (continued)**

#### **KEY PERFORMANCE INDICATORS**

The Company is an intermediary holding company wholly owned by Ultra Electronics Holdings Limited. 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.

#### **EMPLOYEES**

The Company itself does not have any employees, but its indirect subsidiaries collectively employ more than 250 employees. At Ultra our employee goal is to 'create a dynamic, inspiring and inclusive work environment that attracts, develops, engages and retains the best diverse talent. In 2022 we continued to invest in the people agenda whilst also ensuring that we retained and engaged critical talent throughout the lengthy Acquisition process in a buoyant external talent market. We accomplished this through delivering a number of actions within the following six key strategic HR Pillars.

##### **Building the Talent Pipeline**

Ensuring we have the right talent in the right place at the right time has been central to our talent acquisition agenda in 2022. We have significantly improved our strategic workforce planning which is reviewed by the executive committee in the quarterly business reviews. We invested in our in-house talent acquisition team and continued to invest in recruitment tools. Additionally, we have improved our on-boarding process and started to work on a virtual on boarding program utilising gamification. We completed an audit of our recruitment process to ensure that it enables us to appeal to the broadest and most diverse talent pools and have also started to put in place accessibility guides for candidates.

##### **Compelling Reward & Recognition**

In 2022 we had to be agile in our compensation and benefit programs to ensure we retained and motivated our employees throughout the acquisition process. In August 2022 as a result of the acquisition a number of Ultra employees benefitted from the £35 share purchase through the legacy Ultra long-term incentive program and employee share schemes in place at the time.

In addition to the above, a retention payment program was put in place to retain critical leadership and functional talent through the acquisition process which was paid out 90 days post completion. This proved extremely successful in retaining talent with a very small number of exits in this population over the last year.

We have continued to run our annual bonus program with the majority of employees across the Company being included in a bonus plan. In 2022 we continued our efforts to harmonise the opportunity by levels to enable better mobility of talent. The bonus scheme is based on performance against profit and cash measures (85% of the opportunity) with an individual performance (15% of the opportunity) enabling us to differentiate awards for higher performance. With regards to the individual component, employees are set four to eight specific objectives that are aligned to the 'Objective and Key results' ("OKRs") of the business or function, and these are reviewed throughout the year but with a formal review in June and December. A rating is given for this, which is calibrated and then used in deriving bonus outcomes and as an input to salary increases.

2022 was the second year of our ASPIRE values recognition program which enables peer to peer recognition for performance against our Agile, Sharing, Performing, Innovating, Rewarding and Empowering values.

##### **Building leadership and functional capability**

Our Manager fundamentals program aimed at the people managers across the Company continued with modules on recruitment and retention and leadership complexity.

Mandatory training was allocated and completed by all employees covering Code of Conduct, Anti-bribery, IT / data security and Harassment. Additionally, we increased the number of health and safety training modules that needed to be completed by employees.

As part of our 'Aspirations, Capability and Engagement (ACE)' discussions we identify individual training and development actions for individuals and support them with this training. Additionally, all employees at Ultra have been given access to LinkedIn Learning with the content of thousands of courses being made available through our myHR learning system where in our weekly newsletter we share some of the most popular/useful courses to drive adoption rates.

##### **Succeeding with diversity**

In 2022 we published our first Diversity & Equity Index report highlighting all of the work that we are doing in this space. Our focus has been on three areas:

## DF GROUP LIMITED

### STRATEGIC REPORT (continued)

- **Human Moments:** focussed around creating the right conversations across the Company. We have invited external speakers in to engage in discussions with us around different topics and opened this up to all employees to attend the virtual sessions. We have continued to work with our Women and BIPOC (Black Indigenous People of Colour) employee resource groups sharing issues and ideas on what we can do to make Ultra an even better place for these groups to work. In 2022 we continued with the roll out of Neuro-diversity awareness training for our senior leader group.
- **Human Applications:** we introduced our Global DE&I Policy committing to a number of things including equity, diversity and inclusion in the workplace; creating a working environment free of bullying, harassment, victimization and unlawful discrimination; protecting dignity and respect for all; and where individual differences and the contributions of all employees are recognized and valued. We have continued to develop our facilities in our sites so that they are in accessible and usable for all our colleagues and updated our dress code policy to simply 'dress appropriately'. We also continued the work on equity in progression and opportunity looking at how roles are designed, role descriptions and our interview and assessment process. Our successful strategies for success program aimed at senior and high potential women talent at Ultra continued with further modules for existing participants and a new program launched for new participants. This program has retained 94% of the talent and 25% of the talent has been promoted since being on the program. In 2021/22 we also committed to disability confident and signed up to the women in defence charter.
- **Individual humans:** we have increased our analysis of who we are within Ultra with the benefit of our myHR (Workday) platform. As diversity, equity and inclusion encompass so many different dimensions, we selected The Global Diversity & Inclusion Benchmark as a powerful enabler of strategic conversations and an effective planning tool to help us deliver our diversity, equity and inclusion objectives. We have shown strong progress year on year against the baseline in 2020.

#### Creating a winning culture

Due to the acquisition an employee engagement survey was not completed in 2022. There has therefore not yet been an update on the Ultra 2021 engagement scores which had an increase in overall favourability of +2.4% to 61.6% since the 2019 survey.

We have continued to operate a hybrid working arrangement for applicable roles that with remote employees ideally working two to three days from the office to foster greater connectivity, collaboration, innovation and to assist with employee wellbeing. Our values recognition program continues to drive awareness of and behaviour supporting our ASPIRE values and they are also an integral part of our performance management process. Our Employee Assistance programs support employees with wellbeing (health and financial) in addition to all businesses promoting their own wellbeing agendas.

#### Transform our operating model

In 2022 our focus has been on supporting the organisational changes following the acquisition. This has centred on giving greater day to day autonomy to each business unit. This has now been successfully completed such that each unit now operates on a standalone basis.

#### Employee Consultation and Involvement with Management

As part of the Acquisition, the Advent team, the Group's senior executives and their advisors embarked on a discovery tour immediately upon taking control of the Group. These meetings enabled the Advent team to get to understand the business through senior leadership team discussions and also to speak to the broader employee population base.

In 2022, prior to completion of the acquisition, Ultra's independent Ethics committee completed a number of visits and their reports were shared with the Ultra senior executive team and twice per year were discussed at the Ultra Electronics Holdings plc Board level.

We continue to support our Speak Up platform which enables employees to confidentially raise issues that they feel should be investigated by management.

Approved by the Board and signed on its behalf by:

R. Webb  
Director  
29 September 2023



## **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 2022.

#### **DIVIDENDS**

Dividends of \$10.0m at \$0.19 per ordinary share were paid during the year (2021: \$23.3m at \$0.44 per ordinary share). Dividends of \$507.6m were received during the year from its subsidiary Ultra Electronics Swiss Holdings Company Limited (2021: \$20.9m from its subsidiary Ultra Electronics Swiss Holdings Company).

In April 2023, the Board approved a dividend of \$17.35 per share amounting to \$922.8m as part of a Group restructuring and is unrelated to the 2022 financial performance of the Company. This dividend was not included as a liability in these financial statements.

#### **DIRECTORS**

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

#### **DIRECTORS' INDEMNITIES**

Cobham Ultra SeniorCo S.à r.l. has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the period and remain in force at the date of this report. These third party indemnity provisions cover all of the Directors of the Company.

#### **GOING CONCERN**

After making appropriate enquiries and considering the recent economic uncertainty, the Board's view is that the Company has sufficient liquidity for the going concern period, being at least 12 months from the date of approval of these financial statements.

The Company's Directors' assessment also considered the appropriateness of existing and future cash resources, including access to credit facilities through the Parent company. Following completion of the acquisition of Ultra Electronics Holdings plc by Advent on 1 August 2022, Cobham Ultra SeniorCo S.à r.l. has entered into new Group facilities which are available to provide access to funding as required.

In applying the going concern basis, the Directors have considered the Group cash flow projections and assessed the robustness of the forecast through sensitivity to model severe but plausible downside scenarios which assume forecast net cash inflows from business operations reduce by 25% for the forecast period to reflect the combined impact of potential changes to key assumptions such as reduced cash conversion, revenue growth rate and gross margin. At the year end, the Group has considerable financial resources with liquidity available on the Balance Sheet from its cash resources, with \$139.1m cash balances net of overdrafts. As at 15 September 2023, reflecting the most recent data available at the time of approving these financial statements, the Cobham Ultra SeniorCo S.à r.l. Group of which this company forms part, has \$270m of cash on the balance sheet and \$193m of committed Revolving Credit Facility headroom available.

The Group has a mix of shorter and longer term programmes and a number of leading market positions with customers, including Governments and Primes, across different geographical areas. As a consequence, the Directors believe that the Group is ordinarily well placed to manage its business risks successfully. The Directors have reviewed detailed cash flow projections to the end of September 2024 and have applied stress tests on its cash position. These include severe but plausible downside scenarios which assume forecast net cash inflows from business operations are reduced by 25% for the forecast period. In this scenario, the Directors have confirmed that the Group would be able to operate and service the senior debt within the level of its currently available funding over the next 12 months without breaching the covenants in place.



## **DF GROUP LIMITED**

### **DIRECTORS' REPORT (continued)**

Cobham Ultra SeniorCo S.à r.l. has also provided a letter of support to the Directors of the Company stating that the 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 for the going concern period, being at least 12 months from the date of approval of these financial statements. The Company has no dependency on any external borrowings and creditors are predominantly intragroup. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **FINANCIAL RISK MANAGEMENT**

As disclosed in the Strategic Report on page 3, 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 7 to 12 of the 2022 Annual Report and Accounts of Cobham Ultra SeniorCo S.à r.l. Annual impairment reviews are conducted at each balance sheet date, including sensitivity analysis.

### **EMPLOYEE ENGAGEMENT**

The Company has no employees and therefore has nothing to report in respect of employee engagement activity during the year.

### **CUSTOMERS**

The Company has no customers and therefore has nothing to report in respect of customer engagement activity during the year.

### **SUPPLIERS**

The Company has no suppliers and therefore has nothing to report in respect of supplier engagement activity during the year.

### **DISABLED EMPLOYEES**

We also give full and fair consideration to applications for employment made by disabled persons and promote the continued employment of employees who have become disabled. We encourage the career development, and training of all our workforce, focusing on diversity as a whole.

### **POST BALANCE SHEET EVENTS**

There have been no significant events subsequent to the reporting date which are outside the Company's normal trading activities, other than those disclosed in Note 14 of these financial statements.

### **DISCLOSURE OF INFORMATION TO THE 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.

### **STRATEGIC REPORT**

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

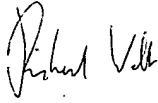
### **APPOINTMENT OF AUDITOR**

In accordance with section 485 of the Companies Act 2006, a resolution for the appointment of Deloitte LLP as auditor of the Company was agreed at the Annual General Meeting.

**DF GROUP LIMITED**

**DIRECTORS' REPORT (continued)**

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Richard Webb', written in a cursive style.

R. Webb  
Director  
29 September 2023

## **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 Accounting 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 DF GROUP LTD**

### **Report on the audit of the financial statements**

#### **OPINION**

In our opinion the financial statements of DF Group Ltd:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 14.

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).

#### **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, 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **OTHER INFORMATION**

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LTD**

### **Report on the audit of the financial statements (continued)**

#### **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.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud the valuation of investments, and our procedures performed to address this includes the following:

- We challenged the discount rate, long term growth rate and cash flow assumptions used by management in their investment impairment assessment. With the involvement of our valuation specialists, we benchmarked the discount rate against independently available data, together with performing peer group analysis.
- We obtained support for secured orders and used our understanding of these orders to underpin the group's cash flow forecasts, considered external data on forecast market growth, and evaluated the historical performance of the businesses.
- In addition, we assessed whether the investment impairment model had been prepared based on management's assumptions and was arithmetically accurate. We evaluated the appropriateness of management's sensitivities based on our work performed on the key assumptions and recalculated these sensitised scenarios.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DF GROUP LTD**

### **Report on the audit of the financial statements (continued)**

estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **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**

##### **Adequacy of explanations received and accounting records**

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 specified by law 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.

### **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.



Jamie Mander ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom  
29 September 2023

**DF GROUP LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**

	Note	2022 \$m	2021 \$m
Income from shares in group undertakings	4	507.6	20.9
Impairment loss	4,8	(475.3)	(0.5)
Other operating loss	4	(2.5)	(0.3)
<b>Operating profit</b>		<b>29.8</b>	<b>20.1</b>
Interest income	4	30.1	22.2
Interest expense	4	(29.3)	(21.4)
<b>Profit before taxation</b>		<b>30.6</b>	<b>20.9</b>
Tax	7	-	-
<b>Profit after taxation and total comprehensive income for the period</b>		<b>30.6</b>	<b>20.9</b>

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

All comprehensive income is from continuing operations.

# DF GROUP LIMITED


## STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 \$m	2021 \$m
<b>Non-Current Assets</b>			
Investments in subsidiaries	8	668.0	1,143.3
Trade and other receivables	9	538.6	474.9
		1,206.6	1,618.2
<b>Current Assets</b>			
Trade and other receivables	9	0.8	33.6
Cash and cash equivalents		7.4	5.8
		8.2	39.4
<b>Total Assets</b>		<b>1,214.8</b>	<b>1,657.6</b>
<b>Current Liabilities</b>			
Trade and other payables	10	(27.2)	(15.7)
		(27.2)	(15.7)
<b>Net current (liabilities)/assets</b>		<b>(19.0)</b>	<b>23.7</b>
<b>Total assets less current liabilities</b>		<b>1,186.4</b>	<b>1,641.9</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	10	-	(474.9)
		-	(474.9)
<b>Total Liabilities</b>		<b>(27.2)</b>	<b>(490.6)</b>
<b>Net Assets</b>		<b>1,187.6</b>	<b>1,167.0</b>
<b>Equity</b>			
Share capital	11	8.4	8.4
Share premium		600.7	600.7
Equity reserve		0.4	0.4
Retained earnings		578.1	557.5
<b>Equity Attributable to the Owners of the Company</b>		<b>1,187.6</b>	<b>1,167.0</b>

The financial statements of DF Group Limited, company registration number 03574242, were approved by the board of directors and authorised for issue on 29 September 2023.

They were signed on its behalf by:

R. Webb   
 Director  
 29 September 2023



**DF GROUP LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2022**

	Note	Share Capital \$m	Share Premium \$m	Equity Reserve \$m	Retained Earnings \$m	Total \$m
At 1 January 2021		8.4	600.7	0.4	559.9	1,169.4
Profit and total comprehensive income for the period		-	-	-	20.9	20.9
Dividends paid	6	-	-	-	(23.3)	(23.3)
As at 31 December 2021		8.4	600.7	0.4	557.5	1,167.0
Profit and total comprehensive income for the period		-	-	-	30.6	30.6
Dividends paid	6	-	-	-	(10.0)	(10.0)
<b>As at 31 December 2022</b>		<b>8.4</b>	<b>600.7</b>	<b>0.4</b>	<b>578.1</b>	<b>1,187.6</b>

The accompanying notes are an integral part of these financial statements.

## **DF GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

#### **1. GENERAL INFORMATION**

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

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements and disclosures under section 401 of the Companies Act 2006, because it and its subsidiaries are included in the Group financial statements of Cobham Ultra SeniorCo S.à r.l. The group financial statements of Cobham Ultra SeniorCo S.à r.l., are available to the public and can be obtained as set out in note 13. The registered office address of Cobham Ultra SeniorCo S.à r.l., the largest and smallest company within the Group for which consolidated financial statements have been prepared and include the Company is 2-4 rue Beck, L-1222 Luxembourg (Lëtzebuerg).

#### **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 preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006. These financial statements present information about the Company as an individual undertaking and not about its Group.

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

##### **Disclosure exemptions adopted**

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- Additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of a reconciliation of the number of shares outstanding at the start and end of the prior period
- A Statement of Cash Flows and related disclosures for cash flows from discontinued activities
- A statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosures in relation to the objectives, policies and process for managing capital
- Disclosure of the effect of future accounting standards not yet adopted
- The remuneration of key management personnel
- Related party transactions with two or more wholly owned members of the group

In addition, and in accordance with FRS 101, the above disclosure exemptions have been applied because the company is a qualifying entity and equivalent disclosures are included in the consolidated financial statements of Cobham Ultra SeniorCo S.à r.l. These financial statements do not include certain disclosures in respect of:

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- Fair value measurements – details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

## **DF GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **Adoption of new and revised standards**

The following Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022) had no material impact on the Company's financial statements:

- Amendments to IAS 37 (Onerous contracts – cost of fulfilling a contract)
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use
- IFRS 1 – Subsidiary as a first-time adopter
- IFRS 9 – Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IFRS 16 – Leases – Lease incentives
- Amendments to References to the Conceptual Framework in IFRS 3

##### **Going concern**

After making appropriate enquiries and considering the recent economic uncertainty, the Board's view is that the Company has sufficient liquidity for the going concern period, being at least 12 months from the date of approval of these financial statements.

The Company's Directors' assessment also considered the appropriateness of existing and future cash resources, including access to credit facilities through the Parent company. Following completion of the acquisition of Ultra Electronics Holdings plc by Advent on 1 August 2022, Cobham Ultra SeniorCo S.à r.l has entered into new Group facilities which are available to provide access to funding as required.

In applying the going concern basis, the Directors have considered the Group cash flow projections and assessed the robustness of the forecast through sensitivity to model severe but plausible downside scenarios which assume forecast net cash inflows from business operations reduce by 25% for the forecast period to reflect the combined impact of potential changes to key assumptions such as reduced cash conversion, revenue growth rate and gross margin. At the year end, the Group has considerable financial resources with liquidity available on the Balance Sheet from its cash resources, with \$139.1m cash balances net of overdrafts. As at 15 September 2023, reflecting the most recent data available at the time of approving these financial statements, the Cobham Ultra SeniorCo S.à r.l. Group of which this company forms part, has \$270m of cash on the balance sheet and \$193m of committed Revolving Credit Facility headroom available.

The Group has a mix of shorter and longer term programmes and a number of leading market positions with customers, including Governments and Primes, across different geographical areas. As a consequence, the Directors believe that the Group is ordinarily well placed to manage its business risks successfully. The Directors have reviewed detailed cash flow projections to the end of September 2024 and have applied stress tests on its cash position. These include severe but plausible downside scenarios which assume forecast net cash inflows from business operations are reduced by 25% for the forecast period. In this scenario, the Directors have confirmed that the Group would be able to operate and service the senior debt within the level of its currently available funding over the next 12 months without breaching the covenants in place.

The Parent company, has also provided a letter of support to the Directors of the Company stating that the 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 intragroup. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## **DF GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **Taxation (continued)**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

##### **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 statement of comprehensive income in the period in which they arise.

##### **Investments in subsidiaries**

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

At each balance sheet date, the Company reviews the carrying amounts of its investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

##### **Financial instruments**

###### **(i) Recognition and initial measurement**

All financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

## DF GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### (ii) Classification and subsequent measurement

###### *Financial assets*

###### *(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI")— debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

###### *(b) Subsequent measurement and gains and losses*

*Financial assets at FVTPL* - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost* - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

###### *Interest rate benchmark reform*

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e., the basis immediately before the change.

## DF GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### Financial instruments( continued)

##### (ii) Classification and subsequent measurement (continued)

##### *Interest rate benchmark reform (continued)*

When the changes were made to a financial asset or a financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

##### *Financial liabilities and equity*

##### *(a) Classification*

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

##### *(b) Subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### *(c) Derecognition*

##### Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

##### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## **DF GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **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.

##### **Dividends payable**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders.

#### **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.

##### **3.1 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. The value-in-use calculations are dependent on estimates of future cash flows, discount rates and long-term growth rates.

The value-in-use of the Company's investment in Ultra Electronics Swiss Holdings Company Limited is \$0.1m as at 31 December 2022. This is lower than the \$475.4m carrying value of the investment, therefore an impairment loss of \$475.3m has been recognised in the current year.

The value-in-use of the Company's investment in Ultra Electronics USA Group Inc is \$3,038.1m as at 31 December 2022. This significantly exceeds the carrying value of the investment, therefore no impairment loss has been recognised in the year.

Sensitivity analysis has been performed on the value-in-use calculations. A reduction in the post-2027 growth assumption from 2.0% to nil results in a value-in use of \$2,380.1m, an increase in the discount rates by 2.0% results in a value-in-use of \$2,323.8m and applying a 20% reduction to forecast operating profits in each year of the modelled cash inflows results in a value-in use of \$2,478.9m. Under all scenarios, the value-in-use significantly exceeds the carrying value of the investment in Ultra Electronics USA Group Inc.

##### **3.2 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.

The carrying amount owed by group undertakings at the balance sheet date was \$539.4m, with no impairment loss recognised in the year (2021: \$508.5m with no impairment loss recognised).

## DF GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

#### 4. PROFIT BEFORE TAXATION

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

	2022 \$m	2021 \$m
Dividend income from subsidiary undertakings	507.6	20.9
Impairment loss	(475.3)	(0.5)
Other operating costs	(2.5)	(0.3)
Interest receivable from group undertakings	30.1	22.2
Interest payable to group undertakings	(29.3)	(21.4)

#### 5. AUDITOR'S REMUNERATION

Auditor's remuneration was borne by the Parent company, the amount attributable to the company is \$29,500 (2021: \$23,000) 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

	2022 \$m	2021 \$m
Dividend for the year ended 31 December 2022 at \$0.19 (2021: \$0.44) per Ordinary share	10.0	23.3
<b>Dividends paid</b>	<b>10.0</b>	<b>23.3</b>

#### 7. TAX

Corporation tax in the UK is calculated at 19% of the estimated assessable profit for the period.

The Company has not generated any income or profit for the period which is assessable for income tax.

No deferred tax was recognised in the year.

##### 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:

	2022 \$m	2021 \$m
Profit before tax	30.6	20.9
Tax at 19.0% (2021: 19.0%)	5.8	4.0
Dividend income not subject to tax	(96.5)	(4.0)
Net impairment charge and expenses not subject to tax	90.8	0.1
Losses claimed from a fellow Group company for no payment	(0.1)	(0.1)
<b>Tax expense for the year</b>	<b>-</b>	<b>-</b>



## DF GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

#### 8. INVESTMENTS IN SUBSIDIARIES

	2022 \$m	2021 \$m
Cost brought forward	1,468.6	1,468.6
Additions in the period	-	-
Cost carried forward	1,468.6	1,468.6
Impairment loss brought forward	(325.3)	(324.8)
Recognised in the period	(475.3)	(0.5)
Impairment loss carried forward	(800.6)	(325.3)
<b>Net book value</b>	<b>668.0</b>	<b>1,143.3</b>

The impairment loss recognised in the current year arose following a review of the recoverability of investments within the Company structure.

The value-in-use of the Company's investment in Ultra Electronics Swiss Holdings Company Limited is \$0.1m as at 31 December 2022. This is lower than the \$475.4m carrying value of the investment, therefore an impairment loss of \$475.3m has been recognised in the current year.

The Company has the following directly held non-trading subsidiaries:

Name	Registered Office	Share Class	Ownership
Ultra Electronics (USA) Group Inc.	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%
Ultra Electronics Swiss Holdings Company Limited	Unit C1 Knaves Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%
Ultra Electronics Aneira Inc.	CT Corporation System, 44000 Easton Comms Way, Suite 125, Columbus OH 43219 United States	Ordinary	100%
Ultra Electronics Connecticut LLC	7625 Omnitech Place, Victor, NY 14564 United States	Ordinary	100%
Ultra Electronics Defense Inc.	7625 Omnitech Place, Victor, NY 14564 United States	Ordinary	100%
Ultra Electronics Enterprises (USA) LLC	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%
Ultra Electronics Inc.	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%
Ultra Electronics Investments (USA) LLC	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%

## DF GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

#### 8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Company has the following indirectly held trading subsidiaries:

Name	Registered Office	Share Class	Ownership
3e Technologies International Inc.	9715 Key West Avenue, Suite 500, Rockville, MD 20850 United States	Ordinary	100%
EMS Development Corporation	95 Horseblock Road, P.O. Box 640, Yaphank, NY 11980 United States	Ordinary	100%
ERAPSCO	4868 East Park 30 Drive, Columbia City, IN 46725 United States	Ordinary	50%
Flightline Electronics Inc.	7625 Ornitech Place, Victor, NY 14564 United States	Ordinary	100%
Herley Industries Inc.	10 Industry Dr, Lancaster, PA 17603 United States	Ordinary	100%
Herley-CTI Inc.	9 Whippany Rd, Whippany, NJ 07981 United States	Ordinary	100%
Prologic Inc.	9400 Innovation Drive, Manassas, VA 20110 United States	Ordinary	100%
Ultra Electronics Advanced Tactical Systems Inc.	4101 Smith School Road, Building IV, Suite 100, Austin, TX 78744 United States	Ordinary	100%
Ultra Electronics DNE Technologies Inc.	50 Barnes Park North Wallingford, CT 06492 United States	Ordinary	100%
Ultra Electronics Finance Limited	3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG Jersey	Ordinary	100%
Ultra Electronics ICE, Inc.	2700 Amherst Avenue, Manhattan, KS 66502 United States	Ordinary	100%
Ultra Electronics Measurement Systems Inc.	50 Barnes Park North Suite 102, Wallingford, CT 06492 United States	Ordinary	100%
Ultra Electronics Ocean Systems Inc.	115 Bay State Drive, Braintree, MA 02184 United States	Ordinary	100%
Ultra Electronics Precision Air and Land Systems Inc.	4414 Lottsford Vista Road Lanham, MD 20706 United States	Ordinary	100%
UnderSea Sensor Systems Inc.	4868 East Park 30 Drive Columbia City, IN 46725 United States	Ordinary	100%
Weed Instrument Co. Inc.	707 Jeffrey Way Round Rock, TX 78665 United States	Ordinary	100%

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 2022

#### 9. TRADE AND OTHER RECEIVABLES

	2022 \$m	2021 \$m
Amounts falling due within one year:		
Amounts owed by group undertakings	0.8	33.6
	0.8	33.6
Amounts falling due after more than one year:		
Amounts owed by group undertakings	538.6	474.9
	538.6	474.9
Included in current assets	0.8	33.6
Included in non-current assets	538.6	474.9
Total trade and other receivables	539.4	508.5

Amounts owed by group undertakings are unsecured, interest bearing, with rates ranging from 0% to 7.50%. The amounts falling due within one year are receivable on demand. The amounts falling due after more than one year are due as follows: \$254.9m due on 21 August 2025, \$220.0m due on 31 March 2027 and \$63.7m due on demand but not expected to be repaid within one year.

#### 10. TRADE AND OTHER PAYABLES

	2022 \$m	2021 \$m
Amounts falling due within one year:		
Amounts owed to group undertakings	26.0	10.4
Interest payable to group undertakings	1.2	5.3
	27.2	15.7
Amounts falling due after more than one year:		
Term loan note due to subsidiary company	-	474.9
	-	474.9
Included in current liabilities	27.2	15.7
Included in non-current liabilities	-	474.9
Total trade and other payables	27.2	490.6

Amounts owed to group undertakings are unsecured and payable on demand.

During the period, the Company repaid the term loan note which was a listed debt instrument on The International Stock Exchange (TISE). The original terms of the instrument had repayments due in two parts; \$220,000,000 due on 31 March 2027 and \$254,916,243 due on 21 August 2025. Interest was due and payable at six monthly intervals ending 31 March and 30 September. The term loan was unsecured and interest bearing, with an interest rate of 6.09% per annum (2021: 4.51%). The term loan interest is based on the three-month US LIBOR rate plus a consistent markup.

#### 11. SHARE CAPITAL

	2022		2021	
	No. of Shares	\$m	No. of Shares	\$m
Authorised, issued and fully paid:				
\$0.1576 Ordinary shares	53,200,002	8.4	53,200,002	8.4
\$1.5760 Ordinary shares	300	-	300	-
\$1.2376 Ordinary shares	1,000	-	1,000	-
	53,201,302	8.4	53,201,302	8,385

All shares rank pari passu for dividend rights and provide the holder with one vote.

Share premium represents the amount subscribed for share capital in excess of nominal value.

## **DF GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2022**

#### **12. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption allowed under FRS 101 "Reduced Disclosure Framework" not to disclose any transactions with wholly owned entities that are included in the consolidated financial statements of Cobham Ultra SeniorCo S.à r.l.

The Company does not have any employees. All Directors acted as directors for other companies across the Ultra Group and it is not felt practical to allocate their remuneration between their services to each company in either the current or prior year. All remuneration costs are borne by the Company's immediate parent, Ultra Electronics Holdings Limited.

Subsequent to the year end, the the Company's indirect US Specialist RF subsidiary business ("Herley") was divested to CAES Systems Holdings LLC, a 100% owned subsidiary of AI Convoy (Luxembourg) S.à r.l.. For further detail, please refer to note 14.

#### **13. CONTROLLING PARTY**

Prior to the completion of the Advent acquisition on 1 August 2022, the Company's ultimate Parent Company and ultimate controlling party was Ultra Electronics Holdings plc (now known as Ultra Electronics Holdings Limited), a Company incorporated in the United Kingdom. On completion of the Advent acquisition, the Company has a new ultimate controlling party being funds managed by Advent International Corporation. The Company's immediate controlling party is Ultra Electronics Holdings Limited.

The largest and smallest group, which includes the Company, for which group accounts were prepared is Cobham Ultra SeniorCo S.à r.l. Copies of the group financial statements of Cobham Ultra SeniorCo S.à r.l. are available from that company's registered office at 2-4 rue Beck, L-1222 Luxembourg (Lëtzebuerg), Luxembourg.

#### **14. POST BALANCE SHEET EVENTS**

On 3 March 2023, the Company divested its indirect subsidiaries for the US Specialist RF business ("Herley") to CAES Systems Holdings LLC, a 100% owned subsidiary of AI Convoy (Luxembourg) S.à r.l., for \$250m on a cash free, debt free basis. This transaction has not had an impact on the Company's financial statements.

On 24 April 2023, the Company performed a share capital reduction, reducing the share premium account by \$600.0m.

On 30 April 2023, the Company paid dividends to its immediate parent company, Ultra Electronics Holdings Limited, totalling \$922.8m.