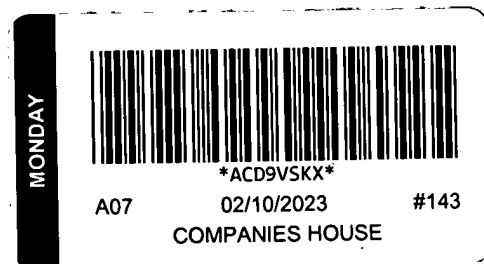


Registration number: 00843903

# Penny & Giles Controls Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



# **Penny & Giles Controls Limited**

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# **Penny & Giles Controls Limited**

## **Company Information**

<b>Directors</b>	K C Farkas N P Jones G P McDonald K M Rayment A R Thornton J K Watkins
<b>Company secretary</b>	M S O'Casal Reed Smith Corporate Services Ltd P J Ferdenzi R F Freda G P McDonald
<b>Registered office</b>	15 Enterprise Way Aviation Park West Bournemouth International Airport Christchurch Dorset BH23 6HH
<b>Solicitors</b>	Reed Smith The Broadgate Tower 20 Primrose Street London EC2A 2RS
<b>Bankers</b>	HSBC 3 Temple Quay Level 4 Bristol BH1 6DZ
<b>Auditors</b>	Deloitte LLP Statutory Auditor Abbots House Abbey Street Reading Berkshire RG1 3BD

## **Penny & Giles Controls Limited**

### **Strategic Report for the Year Ended 31 December 2022**

The directors present their strategic report for the year ended 31 December 2022. The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006. The directors also explain how they considered the interests of key stakeholders and the broader matters set out in s172(1) (A) to (F) of the Companies Act 2006 ('s172') when performing their duty to promote the success of the Company.

#### **Principal activity**

The Company is a wholly owned subsidiary of Curtiss-Wright Controls (UK) Limited. The Company's principal activity is the manufacture and sale of a range of systems controllers and sensors for the aerospace, industrial and medical markets. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

#### **Fair review of the business**

The directors report a profit before tax of £28.8m (2021: £19.3m). Sales have increased by £25.7m (25.7%) across all the geographical regions, significantly in the regions of the Americas and Asia. The growth reflects the upturn in consumer confidence as the world returns to some normality following the devastating impact of the the coronavirus (COVID19) pandemic. The economic landscape has changed with the transition to electric vehicles being a vital step to achieve global emission targets. Manufacturers of electric vehicles use the same electrical components as our product portfolio, demand for these components is outpacing supply. To maintain production, manufacturers are having to secure pockets of stock outside normal supply chain channels at inflated prices, coupled with the higher freight costs to receive parts and distribute finished product. However, stringent cost management across all other functional areas has driven the gross margin percentage at 39.2% is higher than the previous year (2021: 37.6%) and resulted in an operating margin of 22.64% (2021: 19.2%). The company prides itself in managing the evolving health and safety measures required to minimise the COVID19 risks, and beyond, in the workplace.

Net current assets have strengthened by 26.67% over the previous year. Managing working capital has been a key focus despite having to buy greater quantities of stock on the 'spot' markets because of the worldwide shortage of electrical components.

#### **Key performance indicators**

Curtiss-Wright Corporation manages its operations on a business segment basis of which, Penny & Giles Controls Limited is part of the Commercial and Industrial Segment. For this reason the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding or the development, performance or position of the Company. The performance of various business segments, which includes the Company, are discussed in the Curtiss-Wright Corporation's Group Annual Report which does not form part of this report.

## **Penny & Giles Controls Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Principal risks and uncertainties**

The Company operates in a highly competitive market, this is a continuing risk. Managing the supply and demand constraints with the worldwide shortage of electrical components remains challenging over and above the underlying upward trend in general inflation. The Company's competitive risk is managed by providing value added services, maintaining our investment in intellectual property and delivering high quality products, at a fair price, to our customers.

#### **Section 172(1) statement**

The s172 statement focuses on matters of strategic importance and the level of information disclosed is consistent with the size, complexity of the business and avoids disclosure of details that could be prejudicial to our interests.

#### **General confirmation of directors' duties**

The directors have a clear framework for determining the matters within their remit and for the matters delegated to them. Certain financial and strategic thresholds have been determined to identify matters requiring Group consideration and approval. The Delegation of Authority sets out the delegation and approval process across the broader business.

When making decisions, each Director ensures they act in the way which they consider, in good faith, would most likely promote the Company's success for the benefit of its stakeholders as a whole, and in doing so have regard (among other matters) to:

#### **Long term decisions**

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the complexities of the COVID19 legacy. The strategy set by the Board is intended to strengthen our position in the marketplace while keeping safety and social responsibility fundamental to our business approach and recognising that the long-term success of our business is dependent on our stakeholders and the external impact of our business activities. Some decisions may not align with all stakeholder interests but the Directors have taken the decisions they believe best support the strategic goals.

#### **Employee engagement**

Details of the number of employees and related costs can be found in note 9 to the financial statements.

The directors place strong emphasis on high standards of customer care and service and acknowledge that the commitment of every employee to this business requirement is considered essential. Accordingly the necessity for, and importance of, good relations with all employees has long been recognised and accepted throughout the company.

The Company participates in the group's policies and practices to keep employees informed on matters relevant to them through regular updates and newsletters. Hybrid working has been introduced temporarily and contact has been maintained despite this remote working through the use of various technology. Employee representatives are consulted regularly on a wide range of matters affecting their interests. The Curtiss-Wright Employee Share Purchase Plan is open to all employees.

## **Penny & Giles Controls Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Business relationships**

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, governments. The Company promotes certain general principles in such relationships alongside the standards described in the Ethics and Code of Conduct, which are reviewed and approved by the Board periodically.

The Board also reviews and approves the approach to suppliers. The business continuously assesses the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of contractual negotiations and investment proposals.

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from cross functional project updates to customer contact reports.

#### **Community and the environment**

The Company recognises the importance of its environmental responsibilities, and designs and implements policies to reduce any damage that might be caused by the Company's activities. The Company operates in accordance with group policies, and initiatives are designed to minimise the Company's impact on the environment including recycling and reducing energy consumption.

As such, the Board receives information on these topics to both provide relevant information for specific Board decisions (e.g. reducing our carbon footprint) and regular health and safety review meetings from the Environment, Health and Safety Manager.

#### **Business conduct standards**

The Board annually reviews and conducts training on general business principles, Ethics and Code of Conduct, specific compliance manuals and anti-bribery training ensure that its high standards are maintained both internally and with our external business relationships. This, complemented by the way the Board is informed and monitors compliance with relevant governance standards, help assure its decisions are taken and employees act in ways that promote high standards of business conduct.

#### **Balancing conflicts**

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as possible between the Company's internal stakeholders but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

## **Penny & Giles Controls Limited**

### **Strategic Report for the Year Ended 31 December 2022 (continued)**

#### **Culture**

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Board has established leadership, customer focus, innovation, teamwork and trust, winning, integrity and respect for people as its core values. The general business principles, Ethics and Code of Conduct help everyone act in line with these values and comply with relevant laws and regulations. The commitment to health and safety, and employee well-being programme applies across the business and is designed to help protect people and the environment. We relentlessly pursue our safety goal to achieve no harm across all our operations. We also strive to maintain a diverse and inclusive culture.

Employment policies are designed to provide equal opportunities for all existing and prospective employees. In particular, full and fair consideration is given to applications made by disabled persons bearing in mind their respective aptitudes and abilities. Where possible, arrangements are also made for the continuing employment within a safe working environment of employees who have become disabled.

The Board considers employee engagement to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen culture and values.

#### **Restatement of prior period results**

Prior period results have been amended for errors in calculations of deferred tax please refer to note 12 for details

Approved and authorised by the Board on 28 September 2023 and signed on its behalf by:

*Nigel Jones*

.....

N P Jones  
Director

## **Penny & Giles Controls Limited**

### **Directors' Report for the Year Ended 31 December 2022**

The directors present their report, the audited financial statements and the audit report financial statements for the year ended 31 December 2022. The contents of the section 414 statement are included in the Strategic Report.

#### **Directors of the Company**

The directors who held office during the year and to the date of signing these financial statements were as follows:

K C Farkas  
N P Jones  
G P McDonald  
K M Rayment  
A R Thornton  
J K Watkins

#### **Dividends**

The directors recommend a final dividend payment of £Nil (2021 - Nil) be made in respect of the financial year ended 31 December 2022. An interim dividend has been paid in the year of £4.2m (2021 £25.5m)

#### **Financial risk management**

##### ***Foreign exchange risk, credit risk and liquidity risk***

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

##### **Foreign exchange risk**

The Company sources products from Europe, the United States of America and the Far East and is therefore exposed to movement in currency exchange rates and the effect of these on the costs of its materials. The Company's revenues from the North American market are denominated in US Dollars and revenue from European markets are denominated in Euros. The Company is therefore exposed to the movement in the US Dollar and Euro to the UK pound exchange rate. The effect of these movements is monitored on a monthly basis. Treasury policy is determined by the ultimate holding company.

##### **Credit risk**

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

##### **Liquidity risk**

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



## Penny & Giles Controls Limited

### Directors' Report for the Year Ended 31 December 2022 (continued)

#### Employment of disabled persons

Employment policies are designed to provide equal opportunities for all existing and prospective employees. In particular, full and fair consideration is given to applications made by disabled persons bearing in mind their respective aptitudes and abilities. Where possible, arrangements are also made for the continuing employment within a safe working environment of employees who have become disabled.

#### Streamlined Energy and Carbon Reporting (SECR)

The Board of Directors remain committed to environmental aspects, submitting reporting as required to the Energy Savings Opportunity Scheme (ESOS). We recognise that remaining focussed on energy usage is important as part of our wider corporate and social responsibility and therefore take our reporting in this area seriously under both the ESOS and the Streamlined Energy and Carbon Reporting regime (the "SECR regime").

Our reporting under ESOS provided the following data for the 2 combined UK facilities:

Greenhouse gas emissions and energy usage data for year ended 31 December		
	2021 Comparator	2022 concurrent
Electricity energy consumption used to calculate emissions	2,973,739 kWh	2,996,725 kWh
Natural gas energy consumption used to calculate emissions	201,349 kWh	341,041 kWh
Emissions from combustion of electricity	841.7 tCO <sub>2</sub> e	848.3 tCO <sub>2</sub> e
Emissions from combustion of gas	37.04 tCO <sub>2</sub> e	62.7 tCO <sub>2</sub> e
Emissions from business travel in company owned vehicles	32.65 tCO <sub>2</sub> e	33.837 tCO <sub>2</sub> e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	6.0 tCO <sub>2</sub> e	6.0 tCO <sub>2</sub> e (Estimated)
Emissions from combustion of gasoline	16.0 tCO <sub>2</sub> e	17.0 tCO <sub>2</sub> e
Total gross tonnes CO <sub>2</sub> e based on above	932.39 tCO <sub>2</sub> e	967.86 tCO <sub>2</sub> e
Number of employees	550	550
Intensity ratio	1.695 tCO <sub>2</sub> e per employee	1.760 tCO <sub>2</sub> e per employee

## **Penny & Giles Controls Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

#### **Methodology**

The Company gathered input from a number of sources such as billing/invoice data, organisation mileage data and employee transport data. Using the latest figures provided by The Department for Business, Energy and Industrial Strategy (BEIS) and The Department for Environment, Food and Rural Affairs (DEFRA), the data was converted into Tonnes of Carbon Dioxide equivalent (tonnes of CO2 Energy Efficiency).

#### **Actions**

The ESOS survey has recommended minor remedial work to reduce our energy use, the actions taken by the by the Company were:

- UK goals were established and aligned;
- No diesel company owned or leased vehicles, limited to 1.2 litre;
- HVAC sensors repositioned and software changes to improve HVAC management;
- Leak detection inspections of compressed air systems to maximise efficiency;
- Timed water heaters to reduce usage.

There were some additional recommendations which we plan to evaluate and where practicable apply before the next round of ESOS.

#### **Future developments**

The directors expect the general level of activity to continue, the post COVID19 performance will come under pressure from increasing inflation. The challenges of sourcing certain components only available through 'spot' purchases will continue in the immediate future. Previously customers were placing exceptionally large orders to mitigate their risk and build buffer stocks but this is normalising. Expectations are that we can deliver comparable operating margins as we continue with our cost saving programmes across all disciplines.

#### **Research and development**

The Company continues to have an active programme of research and development, the costs of which expensed in the year amounted to £5.6m (2021: £5.2m). We continue to work on adding new products, developing existing products and customer specific designs.

## **Penny & Giles Controls Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

#### **Going concern**

The Company's forecasts and projections, taking account of potential changes in trading performance, combined with its strong net asset and net current asset position coming into 2022 demonstrate that it is highly probable that the company will be able to operate within its existing cash resources.

Therefore, after making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the near future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

## **Penny & Giles Controls Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

#### **Directors' liabilities**

The Company 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. This is provided for by the parent.

#### **Disclosure of information to the auditors**

Each director has taken steps that 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 auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved and authorised by the Board on 28 September 2023 and signed on its behalf by:

*Nigel Jones*

.....  
N P Jones  
Director

## **Penny & Giles Controls 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 FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

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

## **Penny & Giles Controls Limited**

### **Independent Auditor's Report to the Members of Penny & Giles Controls Limited**

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

##### **Opinion**

In our opinion the financial statements of Penny & Giles Controls Limited (the 'Company'):

- 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor 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.

## **Penny & Giles Controls Limited**

### **Independent Auditor's Report to the Members of Penny & Giles Controls Limited (continued)**

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's 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, 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.

#### **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.

## **Penny & Giles Controls Limited**

### **Independent Auditor's Report to the Members of Penny & Giles Controls Limited (continued)**

#### **Auditor 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.



## **Penny & Giles Controls Limited**

### **Independent Auditor's Report to the Members of Penny & Giles Controls Limited (continued)**

#### **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 frameworks 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, pension legislation and taxation 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. These included General Data Protection Regulation (GDPR), anti-bribery and corruption legislation, defence contracting regulation and employment laws.

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 in the following areas, and our specific procedures performed to address it are described below:

- Manual reversals of inventory provisioning: We assessed the design and implementation, and operating effectiveness of controls around the reversal process. We assessed the future demand of items against the provision held, and inquired with the relevant project managers to ensure items would be utilised. We performed a retrospective review for reversals in the prior year and compared to usage in the current year.

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 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 the risks identified included the following:

- reviewing 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 and reviewing internal audit reports.

## **Penny & Giles Controls Limited**

### **Independent Auditor's Report to the Members of Penny & Giles Controls Limited (continued)**

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

##### **Matters on which we are required to report by exception**

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

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



Andrew Hornby FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor

Abbots House  
Abbey Street  
Reading  
Berkshire  
RG1 3BD

28 September 2023

## Penny & Giles Controls Limited

### Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000 Restated
Turnover	3	125,627	99,914
Cost of sales		<u>(76,393)</u>	<u>(62,322)</u>
Gross profit		49,234	37,592
Distribution costs		(2,201)	(1,878)
Administrative expenses		(18,591)	(16,644)
Other operating income	4	<u>-</u>	<u>77</u>
Operating profit	5	<u>28,442</u>	<u>19,147</u>
Other interest receivable and similar income	7	1,301	860
Interest payable and similar expenses	8	<u>(955)</u>	<u>(744)</u>
		<u>346</u>	<u>116</u>
Profit before tax		28,788	19,263
Tax on profit	12	<u>(5,161)</u>	<u>(4,717)</u>
Profit for the financial year		<u><u>23,627</u></u>	<u><u>14,546</u></u>

The above results were derived from continuing operations.

The tax on profit and the profit for the financial year for 2021 have been restated - please refer to note 12.

The notes on pages 21 to 46 form an integral part of these financial statements.

## **Penny & Giles Controls Limited**

### **Statement of Comprehensive Income for the Year Ended 31 December 2022**

	<b>2022</b> <b>£ 000</b>	<b>2021</b> <b>£ 000</b> <b>restated</b>
Profit for the year	<u>23,627</u>	<u>14,546</u>
Actuarial (losses)/gains on defined benefit pension schemes	(7,669)	6,926
Deferred tax effect on the above	<u>1,917</u>	<u>(1,625)</u>
	<u>(5,752)</u>	<u>5,301</u>
Total comprehensive income for the year	<u><u>17,875</u></u>	<u><u>19,847</u></u>

The company has recognised deferred tax on such gain/loss on pension scheme. Please see note 12.

The notes on pages 21 to 46 form an integral part of these financial statements.

**Penny & Giles Controls Limited**  
**(Registration number: 00843903)**  
**Balance Sheet as at 31 December 2022**

	Note	2022 £ 000	2021 £ 000 restated
<b>Fixed assets</b>			
Intangible assets	13	15,039	16,569
Tangible assets	14	10,302	11,157
Debtors	16	12,000	-
		<u>37,341</u>	<u>27,726</u>
<b>Current assets</b>			
Stocks	15	28,618	23,495
Debtors	16	25,591	23,248
Cash at bank and in hand	17	16,004	10,031
		<u>70,213</u>	<u>56,774</u>
<b>Creditors: Amounts falling due within one year</b>	18	<u>(29,116)</u>	<u>(24,328)</u>
<b>Net current assets</b>		<u>41,097</u>	<u>32,446</u>
<b>Total assets less current liabilities</b>		78,438	60,172
<b>Provisions for liabilities</b>	19	<u>(3,613)</u>	<u>(5,662)</u>
<b>Net assets excluding pension asset</b>		74,825	54,510
Net pension asset	20	<u>9,717</u>	<u>16,357</u>
<b>Net assets</b>		<u>84,542</u>	<u>70,867</u>
<b>Capital and reserves</b>			
Called up share capital		3,240	3,240
Share premium reserve		6,690	6,690
Retained earnings		<u>74,612</u>	<u>60,937</u>
<b>Shareholders' funds</b>		<u>84,542</u>	<u>70,867</u>

The deferred tax liability for 2021 has been restated and has been reclassified from an asset to a liability. Please see note 12 for details.

Approved and authorised by the Board on 28 September 2023 and signed on its behalf by:

*Nigel Jones*

.....  
N P Jones  
Director

The notes on pages 21 to 46 form an integral part of these financial statements.

# Penny & Giles Controls Limited

## Statement of Changes in Equity for the Year Ended 31 December 2022

	Note	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022 restated		3,240	6,690	60,937	70,867
Profit for the year		-	-	23,627	23,627
Other comprehensive income		-	-	(5,752)	(5,752)
Total comprehensive income		-	-	17,875	17,875
Dividends	23	-	-	(4,200)	(4,200)
At 31 December 2022		3,240	6,690	74,612	84,542

	Note	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021 as previously stated		3,240	6,690	69,917	79,847
Changes due to prior period error (note 12)		-	-	(3,327)	(3,327)
At 1 January 2021 As restated		3,240	6,690	66,590	76,520
Profit for the year restated (note 12)		-	-	14,546	14,546
Other comprehensive income restated (note 12)		-	-	5,301	5,301
Total comprehensive income (restated)		-	-	19,847	19,847
Dividends	23	-	-	(25,500)	(25,500)
At 31 December 2021 (restated)		3,240	6,690	60,937	70,867

The notes on pages 21 to 46 form an integral part of these financial statements.

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **1 General information**

The Company is a private company limited by share capital, incorporated in United Kingdom.

The address of its registered office is:

15 Enterprise Way  
Aviation Park West  
Bournemouth International Airport  
Christchurch  
Dorset  
BH23 6HH  
United Kingdom

These financial statements were authorised for issue by the Board on 28 September 2023.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Prior year figures have been regrouped or re-classed where necessary

The functional currency of the Company Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

##### **Summary of disclosure exemptions**

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

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the company's financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Company meets its day-to-day working capital requirements through cash on hand and cash generated from operations. The current economic conditions create uncertainty particularly over (a) the level of demand for the company's products; and (b) the exchange rate between sterling and US dollar and thus the consequence for the cost of the company's raw materials.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash resources. Risk management methodology and the impact on forecasts are contained in the Strategic Report.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the near future being for a period of at least 12 months from the signing of these financial statements. Sensitivity analysis, considering all available information about the impact on future trading has been carried out in light of COVID19 and there is no material uncertainty on its ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Judgements**

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 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 judgements in applying the Company's accounting policies**

Revenue recognition is considered a critical judgement (detailed below), apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.



## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **Key sources of estimation uncertainty**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The directors consider the below to be those key estimates and assumptions.

**Impairment of intangible assets and investments.**

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

**Pensions**

In making its judgement management considers and adopts the report provided by the Company appointed pension actuaries. The figures provided by the actuarial specialists are critical estimates and could have a material impact if incorrect.

##### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company's activities.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

##### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

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

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Tangible assets**

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Residual value represents the estimated amount that would currently be obtained from the disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets other than investment properties and freehold land at rates calculated to write off the cost of valuation less residual value of each asset on a straight line basis over its expected useful life, as follows:

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold Improvements	20 years
Plant and Machinery	10% to 33% per annum
Fixtures and Fittings	10% to 33% per annum
Motor Vehicles	20% to 50% per annum

#### **Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed twenty years if a reliable estimate of the useful life cannot be made.

#### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Goodwill	20 years

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss. Provision is made for obsolete, slow-moving or defective items where appropriate.

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Provisions**

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

##### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **Defined benefit pension obligation**

For defined benefit schemes the amounts charged to the operating profit are the current service costs, gains, and losses on settlements and curtailments. They are included as part of the staff costs. Past service costs are recognised immediately in the profit and loss account. The net interest cost on the net defined benefit liability is shown within finance costs. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

##### **Financial instruments**

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

Debt instruments that meet the following conditions are subsequently measured at amortised cost using the effective interest method.

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, if the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### **3 Turnover**

An analysis of the Company's turnover by class of business is set out below:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Sale of goods	<u>125,627</u>	<u>99,914</u>

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **3 Turnover (continued)**

The geographical analysis of turnover by destination was:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Europe - United Kingdom	22,578	20,157
Europe - Continental	32,506	29,792
Africa	96	24
Americas	39,213	28,362
Asia	28,936	19,836
Australasia	2,298	1,743
	<u>125,627</u>	<u>99,914</u>

#### **4 Other operating income**

The analysis of the Company's other operating income for the year is as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Government grants	<u>-</u>	<u>77</u>



## Penny & Giles Controls Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 5 Operating profit

Arrived at after charging/(crediting)

	2022 £ 000	2021 £ 000
Cost of stock recognised as an expense	50,449	42,508
Depreciation expense	1,484	1,717
Amortisation expense	1,530	1,530
Adjustment in Inventory provision	(1,036)	(58)
Research and development cost	5,567	5,225
Foreign exchange gains	(631)	(438)
Operating lease expense - property	247	129
Operating lease expense - other	60	62
Loss on disposal of property, plant and equipment	165	-
Redundancy costs	<u>-</u>	<u>7</u>

#### 6 Government grants

Covid Job Retention Scheme grant

The amount of grants recognised in the financial statements was £Nil (2021 - £77,000).

#### 7 Other interest receivable and similar income

	2022 £ 000	2021 £ 000
Interest income on financial assets	<u>1,301</u>	<u>860</u>

#### 8 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Interest expense on other finance liabilities	945	744
Interest payable on loans from group undertakings	<u>10</u>	<u>-</u>
	<u>955</u>	<u>744</u>

## Penny & Giles Controls Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 9 Staff costs

Where the directors are remunerated by other group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of this company and their services as directors of other group companies. All eligible UK directors are deferred members of the defined benefit pension scheme.

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	17,613	16,257
Social security costs	1,916	1,700
Pension costs, defined contribution scheme	1,294	1,334
Redundancy costs	-	7
	<u>20,823</u>	<u>19,298</u>

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Production	365	339
Administration and support	39	39
Sales, marketing and distribution	29	28
	<u>433</u>	<u>406</u>

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **10 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	<u>744</u>	<u>640</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Received or were entitled to receive shares under long term incentive schemes	3	3
Exercised share options	3	3
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	275	207
Benefits under long-term incentive schemes (excluding shares)	20	36
Company contributions to money purchase pension schemes	<u>18</u>	<u>16</u>

During the year the highest paid director exercised share options and also received or was entitled to receive shares under a long term incentive scheme.

#### **11 Auditors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of the financial statements	<u>83</u>	<u>74</u>

There are no fees for other services provided by the auditors (2021:nil)

## Penny & Giles Controls Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 12 Taxation

Tax charged/(credited) in the profit and loss account

	2022 £ 000	2021 Restated £ 000
UK income tax	<u>5,161</u>	<u>4,717</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 Restated £ 000
Profit before tax	<u>28,788</u>	<u>19,263</u>
Corporation tax at standard rate	5,470	3,660
Effect of expense not deductible in determining taxable profit (tax loss)	(75)	180
UK deferred tax expense relating to changes in tax rates or laws	21	873
Decrease from effect of tax incentives	(126)	(150)
(Decrease)/increase in UK and foreign current tax from adjustment for prior periods	<u>(129)</u>	<u>154</u>
Total tax charge	<u>5,161</u>	<u>4,717</u>

The UK Government substantively enacted a new law increasing the corporation tax rate to 25% from 1 April 2023.

Deferred taxes at the balance sheet date have been measured at rates appropriate to the date on which the relevant assets/liabilities reverse, which average 25% (2021: 25%)

#### Restatement of Prior period results:

The financial statements as at 31 December 2021 included misstatements on the recognition and measurement of deferred taxation in the Statement of Financial Position. These relate to the omission of deferred tax liabilities on net pension assets, the inclusion of deferred tax assets instead of deferred tax liabilities on capital allowances and the use of a tax rate of 19% instead of a tax rate of 25% in measuring deferred taxation considering the expected reversal of such tax differences based on enacted or substantially enacted tax rates. Such misstatements have been corrected retrospectively restating the comparative amounts as of December 31 2021.

The impact of such restatement is detailed below:

## Penny & Giles Controls Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 12 Taxation (continued)

	2021 £ 000	Prior year Reserves 01/01/2021 £ 000	Total Movement in reserves £ 000
Deferred tax liability on defined benefit pension scheme	2,453	1,636	4,089
Deferred tax liability of Accelerated capital allowances and short term timing difference	193	665	858
Deferred tax liability (asset) per signed accounts	(173)	1,026	853
	<u>2,473</u>	<u>3,327</u>	<u>5,800</u>

Below is the split between OCI and P&L for the financial year 2021

	OCI £ 000	P&L £ 000	Total £ 000
Pension	1,732	205	1,937
Changes on tax rate	(107)	623	516
Others	-	20	20
	<u>1,625</u>	<u>848</u>	<u>2,473</u>

£1,732k relates to the movement in the deferred tax relating to the actuarial gain in 2021.

(£107k) relates to the movement in deferred tax due to the restatement of the opening balance of the actuarial value of the pension scheme at a rate of 25% instead of 19% as a result of the enactment of the Finance Act 2021.

£205k relates to the movement in deferred tax relating to timing difference on pension contributions and interest in 2021.

£623k relates to the movement in deferred tax due to the restatement of the opening balance of pension contribution timing differences at a rate of 25% instead of 19% as a result of the enactment of the Finance Act 2021.

£20k relates to the movement in deferred tax due to the correction of accelerated capital allowances in 2021, of this (£186k) relates to movements in 2021 and £204k relates to the restatement of the opening balances on capital allowances at a rate of 25% instead of 19% as a result of the enactment of the Finance Act 2021.

The table below shows the amount as per signed accounts as of December 31, 2021, the restated amount and the adjustment:

# **Penny & Giles Controls Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

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

	<b>2021 Signed Financial statements £ 000</b>	<b>2021 Restated £ 000</b>	<b>Difference £ 000</b>
Tax Expense	(3,869)	(4,717)	(848)

	<b>2021 Signed Financial statements £ 000</b>	<b>2021 Restated £ 000</b>	<b>Difference £ 000</b>
Profit for the financial year	15,394	14,546	(848)
remeasurement of (loss)/gain on defined benefit pension scheme	6,926	5,301	(1,625)
Total comprehensive income for the year	<u>22,320</u>	<u>19,847</u>	<u>(2,473)</u>

# **Penny & Giles Controls Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

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

#### **Prior year reserves (01-Jan-21)**

	<b>DT Liability(Asset) Per Signed Stats £ 000</b>	<b>Restated £ 000</b>	<b>Difference £ 000</b>
DTL on Pension Asset	-	1,636	(1,636)
DTL on Capital allowances and Short term timing differences	(1,026)	665	(1,691)
<b>Total</b>	<b>(1,026)</b>	<b>2,301</b>	<b>(3,327)</b>

#### **2021**

	<b>DT Liability/(Asset) per Signed Stats £ 000</b>	<b>Restated £ 000</b>	<b>Difference £ 000</b>
DTL on Pension Asset	-	4,089	(4,089)
DTL on capital allowances	(691)	1,078	(1,769)
DTL on Unpaid remuneration	(162)	(220)	58
<b>Total</b>	<b>(853)</b>	<b>4,947</b>	<b>(5,800)</b>

## Penny & Giles Controls Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 12 Taxation (continued)

##### Deferred tax

Deferred tax assets and liabilities

	<b>Liability £ 000</b>
<b>2022</b>	
Capital allowances in excess of depreciation	(1,063)
Defined Benefit Scheme	(2,430)
Unpaid remuneration	394
	<u>(3,099)</u>

	<b>Liability £ 000</b>
<b>2021 Restated</b>	
Capital allowances in excess of depreciation	(1,020)
Defined Benefit Scheme	(4,089)
Unpaid remuneration	162
	<u>(4,947)</u>

The 2021 Deferred tax has been restated per the above and has changed from an asset to a liability.

#### 13 Intangible assets

	<b>Goodwill £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 1 January 2022	30,589	30,589
At 31 December 2022	30,589	30,589
<b>Amortisation</b>		
At 1 January 2022	14,020	14,020
Amortisation charge	1,530	1,530
At 31 December 2022	15,550	15,550
<b>Carrying amount</b>		
At 31 December 2022	15,039	15,039
At 31 December 2021	16,569	16,569



**Penny & Giles Controls Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

**14 Tangible assets**

	Long leasehold land and buildings £ 000	Fixtures and fittings £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Capital in Progress £ 000	Total £ 000
<b>Cost or valuation</b>						
At 1 January 2022	8,375	1,985	4,811	14	1,105	16,290
Additions	-	-	-	-	912	912
Disposals/Write-offs	-	(227)	-	-	(254)	(481)
Transfers	17	340	978	-	(1,335)	-
At 31 December 2022	8,392	2,098	5,789	14	428	16,721
<b>Depreciation</b>						
At 1 January 2022	1,245	1,284	2,590	14	-	5,133
Charge for the year	510	239	735	-	-	1,484
Eliminated on disposal	-	(198)	-	-	-	(198)
At 31 December 2022	1,755	1,325	3,325	14	-	6,419
<b>Carrying amount</b>						
At 31 December 2022	6,637	773	2,464	-	428	10,302
At 31 December 2021	7,130	701	2,221	-	1,105	11,157

# Penny & Giles Controls Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 15 Stocks

	2022 £ 000	2021 £ 000
Raw materials and consumables	23,063	18,018
Work in progress	2,459	3,420
Finished goods and goods for resale	3,096	2,057
	<u>28,618</u>	<u>23,495</u>

There is no material difference between the balance sheet value of the stocks and their replacement costs

### 16 Debtors

	Note	2022 £ 000	2021 £ 000
<b>Current</b>			
Trade debtors		17,910	13,860
Amounts owed by related parties	24	5,846	6,452
Prepayments		1,435	2,260
Income tax asset	12	400	676
		<u>25,591</u>	<u>23,248</u>

All amounts owed by intercompany partners are current, repayable on demand and do not attract interest or have a security

	Note	2022 £ 000	2021 £ 000
<b>Non-current</b>			
Amounts owed by related parties	24	<u>12,000</u>	<u>-</u>

Loan to Curtiss-Wright Controls Inc. which attracts interest at 5%, is not expected to be repaid before December 2027 but does not have a security.

# Penny & Giles Controls Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 17 Cash and cash equivalents

	2022 £ 000	2021 £ 000
Cash on hand	2	9
Cash at bank	16,002	10,022
	<u>16,004</u>	<u>10,031</u>

### 18 Creditors

	Note	2022 £ 000	2021 £ 000
<b>Due within one year</b>			
Trade creditors		15,922	12,362
Amounts due to related parties	24	6,213	3,876
Social security and other taxes		644	355
Other payables		-	7
Accruals and deferred income		6,337	7,728
		<u>29,116</u>	<u>24,328</u>

With the exception of a loan from Curtiss-Wright Flow Control (UK) Ltd., all amounts owed to intercompany partners are current, repayable on demand and do not attract interest or have a security. The loan is expected to be repaid before the end of 2023 attracts interest at 5% but does not have a security.

### 19 Provisions for liabilities

	Warranties £ 000	Deferred tax £ 000	Total £ 000
At 1 January 2022	715	4,947	5,662
Additional provisions	210	-	210
Increase (decrease) in existing provisions	-	(1,848)	(1,848)
Provisions used	<u>(411)</u>	<u>-</u>	<u>(411)</u>
At 31 December 2022	<u>514</u>	<u>3,099</u>	<u>3,613</u>

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **20 Pension and other schemes**

##### **Defined contribution pension scheme**

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions paid or payable by the Company to the scheme and amounted to £1,294,447 (2021 - £1,333,219).

##### **Defined benefit pension schemes**

###### **Curtiss-Wright UK Pension Plan**

The Company operates a defined benefit pension scheme for the benefit of the Company employees and a small number of employees of the Curtiss-Wright Group who are based in the United Kingdom. The company is the sponsoring employer of the scheme and the majority of members in the scheme are employees of Penny & Giles Controls Limited.

Under the scheme, the employees are entitled to retirement benefits up to 66% of their salary as at December 2013. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligations were carried out at 31 December 2019 by Aon Hewitt, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £(329,000) (2021 - £(121,000)).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £7,340,000 (2021 - £(7,047,000)).

# Penny & Giles Controls Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 20 Pension and other schemes (continued)

#### **Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the balance sheet are as follows:

	2022 £ 000	2021 £ 000
Fair value of scheme assets	42,627	65,206
Present value of defined benefit obligation	<u>(32,910)</u>	<u>(48,849)</u>
Defined benefit pension scheme surplus	<u>9,717</u>	<u>16,357</u>

#### **Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

	2022 £ 000	2021 £ 000
Present value at start of year	(48,849)	(53,336)
Interest costs	(942)	(736)
Actuarial gain/(loss)	14,664	3,240
Benefits paid	<u>2,217</u>	<u>1,983</u>
	<u>(32,910)</u>	<u>(48,849)</u>

#### **Fair value of scheme assets**

Changes in the fair value of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Fair value at start of year	65,206	61,946
Interest Income	1,271	857
Actuarial (loss)/ gains	(22,333)	3,686
Employer contributions	700	700
benefits paid	<u>(2,217)</u>	<u>(1,983)</u>
	<u>42,627</u>	<u>65,206</u>

## Penny & Giles Controls Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 20 Pension and other schemes (continued)

##### **Analysis of assets**

The major categories of scheme assets are as follows:

	2022	2021
	£ 000	£ 000
Cash and cash equivalents	1,953	1,782
Equity instruments	9,535	18,187
Debt instruments	13,285	24,654
Derivatives	17,854	20,583
	<u>42,627</u>	<u>65,206</u>

##### **Return on scheme assets**

	2022	2021
	£ 000	£ 000
Return on scheme assets	<u>(7,669)</u>	<u>6,926</u>

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

The company has assessed the impact of Guaranteed Minimum Pension (GMP) equalisation and has deemed its effect to be immaterial.

##### **Principal actuarial assumptions**

The principal actuarial assumptions at the balance sheet date are as follows:

	2022	2021
	%	%
Discount rate	4.78	1.97
Future salary increases	2.40	2.40
Future pension increases	2.80	2.90
Inflation	<u>3.00</u>	<u>3.00</u>

# Penny & Giles Controls Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 20 Pension and other schemes (continued)

#### Post retirement mortality assumptions

	2022 Years	2021 Years
Current UK pensioners at retirement age - male	22.00	23.00
Current UK pensioners at retirement age - female	23.00	23.00
Future UK pensioners at retirement age - male	23.00	23.00
Future UK pensioners at retirement age - female	<u>24.00</u>	<u>25.00</u>

### 21 Share capital

#### Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>3,240</u>	<u>3,240</u>	<u>3,240</u>	<u>3,240</u>

#### Rights, preferences and restrictions

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

### 22 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	2022 £ 000	2021 £ 000
Not later than one year	218	189
Later than one year and not later than five years	709	872
Later than five years	<u>-</u>	<u>55</u>
	<u>927</u>	<u>1,116</u>

## **Penny & Giles Controls Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **22 Obligations under leases and hire purchase contracts (continued)**

The amount of non-cancellable operating lease payments recognised as an expense during the year was £246,585 (2021 - £163,652).

#### **23 Dividends**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Final dividend of £Nil (2021 - £Nil) per ordinary share	-	-
Interim dividend of £4,200.00 (2021 - £25,500.00) per ordinary share	4,200	25,500
	<u>4,200</u>	<u>25,500</u>

#### **24 Related party transactions**

##### **Summary of transactions with other related parties**

As a wholly-owned subsidiary undertaking of Curtiss-Wright Corporation, the company has taken advantage of the exemption in FRS 102 33.1a from disclosing transactions with other members of the group headed by Curtiss-Wright Corporation.

#### **25 Parent and ultimate parent undertaking**

The Company's immediate parent is Curtiss-Wright Controls (UK) Limited, incorporated in United Kingdom.

The ultimate parent is Curtiss-Wright Corporation, incorporated in United States.

The most senior parent entity producing publicly available financial statements is Curtiss-Wright Corporation. These financial statements are available upon request from 130 Harbour Place Drive, Suite 300 Davidson, North Carolina NC28036 United States of America

The parent of the largest group in which these financial statements are consolidated is Curtiss-Wright Corporation, incorporated in USA.

The address of Curtiss-Wright Corporation is:

130 Harbour Place Drive, suite 300 Davidson, North Carolina, NC28036 USA

The parent of the smallest group in which these financial statements are consolidated is Curtiss-Wright Controls Inc., incorporated in USA.

The address of Curtiss-Wright Controls Inc. is:

201 Old Boiling Springs Road, Shelby, North Carolina, NC28152-0649 USA