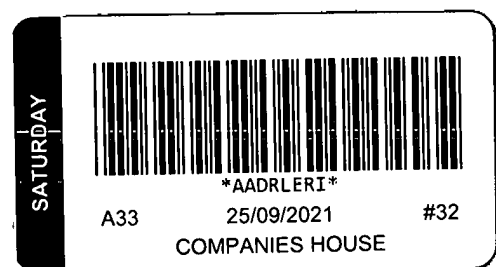


**Company Registration No. 00843903**

**Penny & Giles Controls Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2020**



# **Penny & Giles Controls Limited**

## **Annual Report and Financial Statements 2020**

### **Contents**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>7</b>
<b>Directors' responsibilities statement</b>	<b>10</b>
<b>Independent auditor's report</b>	<b>11</b>
<b>The profit and loss account</b>	<b>15</b>
<b>The statement of comprehensive income</b>	<b>16</b>
<b>The balance sheet</b>	<b>17</b>
<b>The statement of changes in equity; and</b>	<b>18</b>
<b>The related notes to the financial statements</b>	<b>19</b>

# **Penny & Giles Controls Limited**

## **Annual Report and Financial Statements 2020**

### **Officers and professional advisers**

#### **Directors**

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

#### **Company Secretaries**

P Ferdenzi  
R P Freda  
M O'Casal  
G P McDonald  
Reed Smith Corporate Services Limited

#### **Registered Office**

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

#### **Bankers**

HSBC  
15 High Street  
Christchurch  
Dorset  
BH23 1AF

#### **Solicitors**

Reed Smith  
The Broadgate Tower  
20 Primrose Street  
London  
EC2A 2RS

#### **Auditor**

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

# **Penny & Giles Controls Limited**

## **Strategic report**

The directors present their strategic report and the affairs of the Company for the year ended 31 December 2020. 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.

### **Business review**

The directors report a profit before tax of £18.2m (2019: £19.0m). There are a number of factors which have resulted in this movement. Sales have decreased by £17.3m (16.0%) with a global downturn in markets, a consequence of the coronavirus (COVID19) pandemic. The gross margin percentage at 39.4% is higher than the previous year (2019: 37.6%) although the absolute value is lower at £35.7m (2019: £40.5m). Despite the decline in sales, various cost saving initiatives including, but not exclusively, the utilisation of the Coronavirus Job Retention Scheme (CJRS), has enabled the company to be only £0.7m behind the previous year in operating profit equating to a percentage of 19.9% (2019: 17.4%). The company prepared accordingly for Brexit, there were delays initially at borders as all parties got used to the new regime combined with reduced resource from COVID19, but the situation has normalised. The company has absorbed the additional costs of the increased health and safety control measures required to minimise the COVID19 risks. The position of the company at the year-end is set out in the balance sheet on page 16 and in the related notes on pages 19 - 36.

### **Key performance indicators**

Curtiss-Wright Corporation manages its operations on a business segment basis, 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 of the development, performance or position of the Company. The performance of various business segments, which includes the Company, are discussed in Curtiss-Wright Corporation Group Annual Report which does not form part of this report.

### **Future developments**

The directors expect the general level of activity to improve as we return to some level of 'normality' as the world adapts to the longer term effects of COVID19. Demand is returning to 2019, pre-COVID levels although there are some challenges sourcing certain components only available through 'spot' purchases. Expectations are that we can deliver comparable operating margins as we continue with our cost saving programmes across all disciplines.

### **Principal risks and uncertainties**

The Company operates in a highly competitive market, this is a continuing risk but our principal markets the economy is already showing signs of improvement post COVID19. The Company's competitive risk is managed by providing value added services, maintaining our investment in intellectual property and delivering high quality products to our customers.

# **Penny & Giles Controls Limited**

## **Strategic report (continued)**

### **s172 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 protracted COVID19 outbreak. 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 6 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 meetings and newsletters. This contact was maintained despite 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.

### *Business relationships*

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, and 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 continues to assess 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.

## **Penny & Giles Controls Limited**

### **Strategic report (continued)**

#### **s172 statement (continued)**

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 of 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, see SECR section in the Director's Report) and regular health and safety review meetings from the Environment, Health and Safety Manager.

#### *Business conduct standards*

The Board annually review 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 as 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.

#### *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.

# **Penny & Giles Controls Limited**

## **Strategic report (continued)**

### **Financial risk management objectives and policies**

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

### **Research and development**

The Company continues to have an active programme of research and development, the costs of which in the year amounted to £5.3m (2019: £5.8m). We continue to work on adding new products, developing existing products and customer specific designs.

### **Supplier payment policy**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2020 were equivalent to 61 days (2019: 67) purchases based on the average daily amount invoiced by suppliers during the year.

### **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 2021 demonstrate that it is highly probable that the company will be able to operate within its existing cash resources.

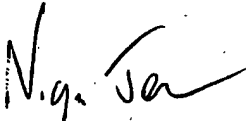
Therefore, after making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the near future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

## **Penny & Giles Controls Limited**

### **Strategic report (continued)**

#### **Approval**

Approved by the Board of Directors and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'N. Jones', is written over the printed name and title.

N Jones  
Director  
15 Enterprise Way  
Aviation Park West  
Bournemouth International Airport  
Christchurch  
BH23 6HH  
24 September 2021



## **Penny & Giles Controls Limited**

### **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2020. The contents of the section 414 statement are included in the Strategic Report on page 2.

#### **Matters covered in the Strategic Report**

Details of future developments, employment of disabled persons, employee engagement, research and development expenditure, going concern and financial risk management can also be found in the Strategic Report.

#### **Dividends**

The directors recommended and paid a dividend of £16.0m (2019: £5.5m). There are no post year-end proposed dividends (2019: nil).

#### **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:

<b>Greenhouse gas emissions and energy usage data for year ended 31 December</b>		
	<b>2019 Baseline</b>	<b>2020 Comparator</b>
Electricity energy consumption used to calculate emissions	3,228,461 kWh	3,082,706 kWh
Natural gas energy consumption used to calculate emissions	590,699 kWh	333,007 kWh
Emissions from combustion of electricity	913.9 tCO <sub>2</sub> e	872.6 tCO <sub>2</sub> e
Emissions from combustion of gas	108.7 tCO <sub>2</sub> e	61.3 tCO <sub>2</sub> e
Emissions from business travel in company owned vehicles	22.6 tCO <sub>2</sub> e	18.1 tCO <sub>2</sub> e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	11.1 tCO <sub>2</sub> e	5.5 tCO <sub>2</sub> e
Emissions from combustion of gasoline	23.2 tCO <sub>2</sub> e	15.1 tCO <sub>2</sub> e
Total gross tonnes CO <sub>2</sub> e based on above	1079.5 tCO <sub>2</sub> e	972.6 tCO <sub>2</sub> e
Number of employees for 2020	550	550
Intensity ratio	1.96 tCO <sub>2</sub> e per employee	1.77 tCO <sub>2</sub> e per employee

## **Penny & Giles Controls Limited**

### **Directors' report (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 are some additional recommendations which will be evaluated and where practicable introduced before the next survey.

#### **Directors**

The directors who served throughout the year and subsequently to the date of signing the financial statements:

K Rayment  
G P McDonald  
J Watkins  
G Tynan (resigned 30 June 2020)  
K C Farkas (appointed 30 June 2020)  
N Jones  
A Thornton

#### **Directors' indemnities**

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.

#### **Provision of information to auditor**

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) 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.

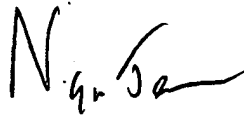
## **Penny & Giles Controls Limited**

### **Directors' report (continued)**

#### **Auditor**

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

Approved by the Board of Directors and signed on behalf of the Board.



N Jones  
Director  
15 Enterprise Way  
Aviation Park West  
Bournemouth International Airport  
Christchurch  
BH23 6HH

24 September 2021

## **Penny & Giles Controls Limited**

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting 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 year. In preparing these financial statements, the directors are required to:

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

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

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

# **Independent auditor's report to the members of Penny & Giles Controls Limited**

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

### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet
- the statement of changes in equity; and
- the related notes 1 to 20.

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's responsibilities for the audit on the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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 12 months from when the financial accounts are authorised for issue.

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

### **Other information**

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 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.

## **Independent auditor's report to the members of Penny & Giles Controls Limited (continued)**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report the fact.

We have nothing to report in 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 to have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at; [www.frc.org.uk/auditorsresponsibilities](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 about their own identification and assessment of the risks of irregularities.

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.

## **Independent auditor's report to the members of Penny & Giles Controls Limited (continued)**

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.

### **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.

**Independent auditor's report to the members of-----  
Penny & Giles Controls Limited (continued)**

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

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

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

We have nothing to report in respect of these matters.

**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  
Reading  
United Kingdom  
24 September 2021



## Penny & Giles Controls Limited

### Profit and loss account For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	90,501	107,832
Cost of sales		(54,823)	(67,337)
<b>Gross profit</b>		<b>35,678</b>	<b>40,495</b>
Distribution costs		(929)	(726)
Administrative expenses		(18,231)	(21,063)
Other operating income		1,470	-
		(17,690)	(21,789)
<b>Operating profit</b>		<b>17,988</b>	<b>18,706</b>
Finance income (net)	4	205	275
<b>Profit before taxation</b>	5	<b>18,193</b>	<b>18,981</b>
Tax on profit	7	(1,414)	(3,640)
<b>Profit for the financial year</b>		<b>16,779</b>	<b>15,341</b>

All results derive from continuing operations.

The notes on pages 19 to 36 form part of these financial statements.

## **Penny & Giles Controls Limited**

### **Statement of comprehensive income For the year ended 31 December 2020**

	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Gains for the financial year</b>		<u>16,779</u>	<u>15,341</u>
Actuarial (losses)/gains on defined benefit pension scheme	18	<u>(1,120)</u>	<u>796</u>
<b>Other comprehensive income</b>		<u>(1,120)</u>	<u>796</u>
<b>Total comprehensive income) attributable to equity shareholders of the Company</b>		<u><u>15,659</u></u>	<u><u>16,137</u></u>

## Penny & Giles Controls Limited

### Balance sheet As at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	9	18,099	19,628
Tangible assets	10	12,153	12,326
		<u>30,252</u>	<u>31,954</u>
<b>Current assets</b>			
Stocks	11	17,052	22,155
Debtors	12	21,720	24,574
Cash at bank and in hand		16,506	15,223
		<u>55,278</u>	<u>61,952</u>
<b>Creditors: amounts falling due within one year</b>	14	(14,241)	(22,561)
<b>Net current assets</b>		<u>41,037</u>	<u>39,391</u>
<b>Total assets less current liabilities</b>		<u>71,289</u>	<u>71,345</u>
<b>Provisions for liabilities</b>	15	(52)	-
<b>Net assets excluding pension asset</b>		<u>71,237</u>	<u>71,345</u>
<b>Net pension asset</b>	18	8,610	8,843
<b>Net assets including pension asset</b>		<u>79,847</u>	<u>80,188</u>
<b>Capital and reserves</b>			
Called-up share capital	16	3,240	3,240
Share premium account		6,690	6,690
Profit and loss account		69,917	70,258
<b>Total shareholders' funds</b>		<u>79,847</u>	<u>80,188</u>

The notes on pages 18 to 35 form part of these financial statements

The financial statements of Penny & Giles Controls Limited, registered number 00843903 were approved by the Board of Directors and authorised for issue on 24 September 2021.

Signed on behalf of the Board of Directors



N Jones  
Director

## Penny & Giles Controls Limited

### Statement of changes in equity For the year ended 31 December 2020

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2019</b>	3,240	6,690	59,621	69,551
Profit for the financial year 2019	-	-	15,341	15,341
<u>Other comprehensive expense:</u>				
Actuarial gains	-	-	796	796
<b>Total Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>16,137</b>	<b>16,137</b>
Dividend paid (note 8)			(5,500)	(5,500)
<b>At 31 December 2019</b>	<b>3,240</b>	<b>6,690</b>	<b>70,258</b>	<b>80,188</b>
Profit for the financial year 2020	-	-	16,779	16,779
<u>Other Comprehensive income:</u>				
Actuarial losses (note 18)	-	-	(1,120)	(1,120)
<b>Total Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>15,659</b>	<b>15,659</b>
Dividend paid (note 8)	-	-	(16,000)	(16,000)
<b>At 31 December 2020</b>	<b>3,240</b>	<b>6,690</b>	<b>69,917</b>	<b>79,847</b>

## **Penny & Giles Controls Limited**

### **Notes to the financial statements Year ended 31 December 2020**

#### **1. Significant accounting policies**

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

##### **a) General information and basis of accounting**

Penny & Giles Controls Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 - 6. The financial accounts have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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

Penny & Giles Controls Limited 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. Penny & Giles Controls Limited 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.

##### **b) 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.

##### **c) Intangible assets - goodwill**

Goodwill is the amount by which the purchase consideration paid for the assets of the companies acquired exceeded the fair value of the net assets acquired. This is amortised and written off to the profit and loss account in equal instalments within administrative expenses over 20 years, as judged by the directors to be the useful economic life of goodwill at the date of purchase. Provision is made for any impairment

## **Penny & Giles Controls Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2020**

#### **1. Significant accounting policies (continued)**

##### **d) Research and development**

Research expenditure is written off as incurred. Development expenditure is also written off as incurred.

##### **e) Tangible assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. 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.

Leasehold improvement	20 years
Plant and machinery	10% to 33% per annum
Fixtures and fittings	20% to 50% per annum
Motor Vehicles	20% to 50% per annum

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.

##### **f) Financial instruments**

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

###### **(i) Financial assets and liabilities**

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.

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

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 1. Significant accounting policies (continued)

##### f) Financial instruments (continued)

- (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.

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.

##### (ii) Fair value measurement

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.

## **Penny & Giles Controls Limited**

### **Notes to the financial statements (continued)**

#### **Year ended 31 December 2020**

##### **1. Significant accounting policies (continued)**

###### **g) Provisions**

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's obligation.

###### **h) Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to sell which is equivalent to the net realisable value. Cost includes material, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

###### **i) Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

###### *Non-financial assets*

An asset is impaired where there is objective evidence that, because of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

###### *Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

###### **j) Taxation**

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



## **Penny & Giles Controls Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2020**

#### **1. Significant accounting policies (continued)**

##### **j) Taxation (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.

##### **k) Turnover**

###### ***Sale of goods***

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

##### **l) Government Grants**

Government grants that are receivable for compensation for expenses or losses already incurred or for the purpose of giving immediate financial support are recognised in the period in which they become receivable and there has been reasonable assurance that the conditions attaching to them have been met.

## **Penny & Giles Controls Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2020**

#### **1. Significant accounting policies (continued)**

##### **m) Employee benefits**

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.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

##### **m) Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items that are recognised in other comprehensive income.

##### **n) Leases**

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

##### **o) Dividends**

Dividend outlay is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of expense can be measured reliably).

#### **2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, 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.

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

##### *Critical judgements in applying the Company's accounting policies*

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

##### *Revenue recognition*

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 s23 *Revenue* and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

##### *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*

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 estimate management considers and adopts the report provided by the Company appointed pension actuaries (note 18). The figures provided by the actuarial specialists are critical estimates and could have a material impact if incorrect.

#### 3. Turnover

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

	2020 £'000	2019 £'000
<b>Turnover:</b>		
Government sales	5,809	3,756
Commercial sales	61,674	76,728
Sales to group companies	23,018	27,348
	<u>90,501</u>	<u>107,832</u>

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 3. Turnover (Continued)

The geographical analysis of turnover by destination was:

	2020 £'000	2019 £'000
Europe - United Kingdom	18,076	20,007
Europe – Continental	24,840	29,377
Africa	93	355
Americas	26,582	31,145
Asia	17,756	24,021
Australasia	3,154	2,927
	<u>90,501</u>	<u>107,832</u>

An analysis of the Company's revenue is as follows:

	2020 £'000	2019 £'000
Sale of goods	<u>90,501</u>	<u>107,832</u>
Turnover	90,501	107,832
Interest receivable and similar income	1,166	1,502
Income from CJRS scheme	<u>1,470</u>	<u>-</u>
Total revenue	<u>93,137</u>	<u>109,334</u>

#### 4. Finance income (net)

	2020 £'000	2019 £'000
Other Interest receivable and similar income	1,166	1,502
Less: Interest payable and similar expenses	<u>(961)</u>	<u>(1,227)</u>
	<u>205</u>	<u>275</u>

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 5. Profit before taxation

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

	2020 £'000	2019 £'000
Depreciation of tangible assets (note 10)	1,297	1,208
Amortisation of intangible assets (note 9)	1,529	1,530
Research and development	5,331	5,776
Operating lease rentals	50	27
Property lease rentals	105	100
Foreign exchange loss	820	1,206
Cost of stock recognised as an expense	38,380	48,267
Impairment of stock recognised as an expense	1,079	772
Reversal of impairment of stock	(196)	(124)
Cost of redundancies	558	-

The analysis of the auditor's remuneration is as follows:

	2020 £'000	2019 £'000
<b>Fees payable to the Company's auditor and their associates for the audit of the company's annual accounts</b>	46	46
<b>Fees payable to the Company's auditor and their associates for other services to the company</b>	-	5
Audit related assurance services	46	51
Other taxation advisory services	-	5
Total non- audit fees	-	5

#### 6. Information regarding directors and employees

	2020 £'000	2019 £'000
<b>Directors' emoluments</b>		
Emoluments	673	694
Pension contributions (defined contribution scheme)	32	32
<b>Remuneration of the highest paid director:</b>		
Emoluments	274	281
Pension contributions (defined contribution scheme)	15	15

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 6. Information regarding directors and employees (continued)

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.

	2020 No.	2019 No.
<b>Monthly average number of persons employed (including directors):</b>		
Production and development	390	426
Sales and distribution staff	33	32
Administration staff	39	36
	<u>462</u>	<u>494</u>
	2020 £'000	2019 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	16,463	18,228
Social security costs	1,658	1,939
Other pension costs	1,111	1,194
	<u>19,232</u>	<u>21,361</u>

#### 7. Tax on profit on ordinary activities

	2020 £'000	2019 £'000
<b>Analysis of tax charge on ordinary activities current tax</b>		
United Kingdom corporation tax at 19.0% (2019: 19.0%), based on the profit for the year	3,515	3,655
Adjustments in respect of prior years	(2,043)	9
<b>Total current tax charge</b>	<u>1,472</u>	<u>3,664</u>
<b>Deferred taxation</b>		
Timing differences origination and reversal (Note 13)	(58)	(24)
<b>Total tax charge on profit on ordinary activities</b>	<u>1,414</u>	<u>3,640</u>

# Penny & Giles Controls Limited

## Notes to the financial statements (continued) Year ended 31 December 2020

### 7. Tax on profit on ordinary activities (continued)

#### Factors affecting tax charge for the current year

The tax assessed for the year is different from that resulting from applying the standard rate of corporation tax in the UK: 19.0% (2019: 19.0%). This difference is explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	18,193	18,981
Tax at 19.0% (2019: 19.0%)	3,457	3,606
Effects of:		
Expenses not deductible for tax purposes	-	2
Capital allowances in excess of depreciation	58	47
Prior period adjustments	(1,269)	9
Prior period adjustments deferred tax	(774)	-
Current tax charge for year	<u>1,472</u>	<u>3,664</u>

The Finance bill 2016 enacted provisions to reduce the main rate of UK Corporation tax to 17% from 1 April 2020. However in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. In the March 2021 Budget it was announced that the tax rate will be held at 19% until March 2023.

### 8. Dividends on equity shares

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year	16,000	5,500
Interim dividend for the year ended 31 December 2020 of 493.82p (2019: 169.75p) per ordinary share	16,000	5,500
	<u>16,000</u>	<u>5,500</u>

There are no post year-end proposed dividends (2019: nil).

The Company's redeemable preference shares are included in the balance sheet as a liability and accordingly the dividends payable on them are included in finance costs (net).

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 9. Intangible assets

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	30,589
<b>Accumulated amortisation</b>	
At 1 January 2020	10,961
Charge for the year	1,529
At 31 December 2020	12,490
<b>Net book value</b>	
At 31 December 2020	18,099
At 31 December 2019	19,628

#### 10. Tangible assets

	<b>Leasehold improvements £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2020	7,959	3,567	2,901	24	14,451
Additions	357	681	86	-	1,124
At 31 December 2020	8,316	4,248	2,987	24	15,575
<b>Depreciation</b>					
At 1 January 2020	238	113	1,750	24	2,125
Charge for the year	449	614	234	-	1,297
At 31 December 2020	687	727	1,984	24	3,422
<b>Net book value</b>					
At 31 December 2020	7,629	3,521	1,003	-	12,153
At 31 December 2019	7,721	3,454	1,151	-	12,326



## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 11. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	11,839	15,399
Work in progress	2,689	4,157
Finished goods and goods for resale	2,524	2,599
	<u>17,052</u>	<u>22,155</u>

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

#### 12. Debtors

	2020 £'000	2019 £'000
Trade debtors	11,116	12,894
Amounts due from group undertakings	8,121	9,922
Prepayments and accrued income	1,272	1,564
Taxation recoverable	185	-
Deferred tax (note 13)	1,026	194
	<u>21,720</u>	<u>24,574</u>

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

#### 13. Deferred taxation

	£'000
At 1 January 2020	(194)
Charged to profit and loss (note 7)	(58)
Prior year adjustments (note 7)	(774)
	<u>(1,026)</u>
At 31 December 2020	<u>(1,026)</u>

The deferred tax asset consists of the following amounts:

	2020 £'000	2019 £'000
Accelerated capital allowances	852	194
Unpaid remuneration	174	-
	<u>1,026</u>	<u>194</u>

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 14. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	6,046	11,322
Amounts owed to group undertakings	2,700	4,042
Corporation tax	-	1,750
Taxation and social security	575	826
Accruals and deferred income	4,920	4,621
	<u>14,241</u>	<u>22,561</u>

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

#### 15. Provisions for liabilities

	Warranty provision £'000
At 1 January 2020	-
Charged to profit and loss	88
Released to profit and loss	(36)
At 31 December 2020	<u>52</u>

#### 16. Called-up share capital

	2020 £'000	2019 £'000
Allotted, called-up and fully-paid 3,240,000 ordinary shares of £1 each	<u>3,240</u>	<u>3,240</u>

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.

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 17. Operating lease commitments

The Company is committed to making the following future minimum lease payments in respect of non-cancellable operating leases:

	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 1 year	100	97	100	97
Within two to five years	400	219	400	316
Greater than 5 years	200	-	300	-
	<u>700</u>	<u>316</u>	<u>800</u>	<u>413</u>

#### 18. Pension schemes

##### Defined contribution scheme

The Group operates a defined contribution scheme for all qualifying employees.

The total cost charged to the profit & loss in the year ended 31 December 2020 was £1,111k (2019: £1,700k).

##### Defined benefit schemes

	2020 £'000	2019 £'000
<b>Break down of surplus</b>		
Curtiss-Wright Controls (UK) Limited (note 12)	(8,610)	(8,843)
<b>Total</b>	<u>(8,610)</u>	<u>(8,843)</u>

##### Curtiss-Wright Controls (UK) Limited

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 final salary on attainment of a retirement age of 65. 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.

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 18. Pension schemes (continued)

##### Key assumptions used

	2020	2019
Discount rate	1.41%	2.04%
Future pension increases	2.60%	2.82%
Inflation	2.65%	2.90%

##### Mortality assumptions

Investigations have been carried out within the past 3 years into the mortality experience of the Group's defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

		2020 £'000	2019 £'000
Retiring today	Males	22.6	21.7
	Females	22.8	21.9
Retiring in 20 years	Males	22.9	22.6
	Females	24.7	23.4

Amounts recognised in the profit and loss account in respect of this defined benefit scheme are as follows:

	2020 £'000	2019 £'000
Net interest costs	(187)	(217)
<b>Total costs</b>	<b>(187)</b>	<b>(217)</b>

## Penny & Giles Controls Limited

### Notes to the financial statements (continued) Year ended 31 December 2020

#### 18. Pension schemes (continued)

The amount included in the Balance Sheet arising from the Groups obligations in respect of its defined benefit retirement scheme is as follows:

	2020 £'000	2019 £'000
<b>Present value of defined benefit obligations</b>		
Fair value of scheme assets	61,946	56,760
Present value of plan liabilities	(53,336)	(47,917)
<b>Surplus in the plan</b>	<u>8,610</u>	<u>8,843</u>
<b>Net asset recognised in the balance sheet</b>	<u>8,610</u>	<u>8,843</u>

Movements in the present value of defined benefit obligations were as follows:

	2020 £'000	2019 £'000
At 1 January	47,917	42,230
Interest costs	961	1,227
Actuarial loss	6,623	6,047
Benefits paid	(2,165)	(1,587)
<b>At 31 December</b>	<u>53,336</u>	<u>47,917</u>

Movements in the fair value of scheme assets were as follows:

	2020 £'000	2019 £'000
At 1 January	56,760	49,360
Actual return on assets	1,148	1,444
Sponsors contributions	700	700
Actuarial gains	5,503	6,843
Benefits paid	(2,165)	(1,587)
<b>At 31 December</b>	<u>61,946</u>	<u>56,760</u>

## **Penny & Giles Controls Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2020**

#### **18. Pension schemes (continued)**

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	<b>Fair value of assets</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Equities	28,348	33,790
Fixed interest gilts	22,969	13,274
Bonds	10,583	9,596
Net current assets	46	100
<b>Total</b>	<b>61,946</b>	<b>56,760</b>

The plan does not invest in any financial instrument owned by the group

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

#### **19. Ultimate parent company and controlling party**

The immediate parent company is Curtiss-Wright Controls (UK) Limited, which is registered in the United Kingdom at 15 Enterprise Way, Aviation Park West, Bournemouth Airport, Christchurch, Dorset, BH23 6HH. The ultimate parent company and controlling party is Curtiss-Wright Corporation, which is registered in the United States. Copies of their report and financial statements can be obtained from the registered address of 130 Harbour Place Drive, Suite 300 Davidson, NC 28036, USA.

Curtiss-Wright Corporation is the largest group to which the company belongs and for which consolidated financial statements are prepared which include the results of the company. The smallest group to which the company belongs and for which consolidated financial statements are prepared which include the results of the company is headed by an intermediate parent company, Curtiss-Wright Controls Inc., which is registered in the United States.

#### **20. Related party transactions**

As a wholly-owned subsidiary undertaking of Curtiss-Wright Controls Inc., 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 Controls Inc.