

Pascall Electronics Limited

Annual Report and Financial Statements

Year ended 31 December 2015

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Company Information

Directors	G M J Jefferies M K P Blake V M Buffa T Paradie
Secretary	G M J Jefferies
Registered office	c/o DDC Electronics Limited Brunswick Road Cobbs Wood Ashford Kent TN23 1EH
Company registration number	1316674
Auditors	Ernst & Young LLP Wessex House 19 Threefield Lane Southampton SO14 3QB
Bankers	Lloyds Bank PLC 24 Broad Street Reading Berkshire RG1 2BT

Strategic Report

For the year ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Principal activities

The company is engaged in the design, development and manufacture of electronic and radio frequency devices primarily for the military and aerospace markets.

Review of the development, performance and position of the business

Company turnover for the year ending 31 December 2015 was £12,410,000, an increase of 20.2% on 2014. The increase in turnover was primarily due to project timing of orders for both our Military and Civil Aerospace products, which contributed to an increase in operating profits to £2,074,000 (from £1,625,000 in 2014). A total of £8,223,000 of orders were booked in the year (£17,297,000 in 2014) with the order book ending the year at £13,650,000.

Orders were down on prior year after the receipt of orders in the latter part of 2014 relating to established programs that have a shipment profile over a longer period. The military power supply business continues to be flat overall due to both US and European Defence budgetary cuts despite seeing orders in this sector grow in the second half of 2014 with specific one off contracts for existing products. A combination of these factors has meant that the current total order book of £13,650,000, together with future prospects and a continuing program of investment in technology, capability and equipment gives the director's confidence that we can continue to increase the current levels of turnover in 2016. However, despite tight inventory controls and the inventory reduction exercise, the increased volume and the strong order book for 2016, has resulted in an increase in finished goods, component and WIP stock of 28% to support the expected turnover levels.

Principal Risks

The current trend for the defence markets remains flat, mainly driven by continued government budgetary policy for defence programmes Worldwide. There is also the potential for a cyclical downturn in commercial air travel and aircraft build rates, despite the increase we have seen over the last four years. The company constantly monitors the trends in the market and the fact that we are in commercial aerospace, military aerospace and defence markets gives the directors confidence that a downturn in one area is unlikely to coincide with a downturn in the other. To emphasise that philosophy, the company has won programs in other harsh environment markets which further protects the volatility in each of the markets we serve. Many of the programmes the company services are the subject of long-term purchase orders that would give the company time to respond to a market shift.

The company's continued ability to compete on price in a maturing global market remains a risk, although the directors are confident that the company can stay at the forefront in its chosen markets, and is perceived as doing so by its customers.

There is always a risk that engineering programmes, which we generally undertake on a fixed price basis, may not be delivered to cost or time with any resultant overspends affecting profit. To date all contracts undertaken by the company have always been completed with a satisfactory technical solution. These programmes are reviewed regularly throughout the year and any overspend identified and expensed.

Strategic Report (continued)

Key Performance Indicators

The directors monitor the business internally with a number of key performance indicators ('KPIs').

	2016 £'000	2015 £'000	Change %
Order Intake	8,223	17,297	-52.5
Turnover	12,410	10,327	20.2
Operating Profit	2,074	1,625	27.6
Profit After Tax	1,773	1,294	37.0
Customer Returns	0.05%	0.12%	58.3
Average Number of Employees	121	114	6.1

Commentary on the above KPIs is given above in the Review of the development, performance and position of the business section of the Strategic Report

By order of the board of directors



V M Buffa

28 SEPTEMBER 2016

Report of the Directors

For the year ended 31 December 2015

The directors present their report for the year ended 31st December 2015.

Information included in the Strategic Report

The following information is included in the Strategic Report

- Details of the principal activity of the company
- A review of the business, including developments in the year, its performance and current position
- A summary of the principal risks and uncertainty affecting the position, and
- Information relating to KPI's monitored by the Company

Directors

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

C T Oliva (Resigned 1 July 2015)
G M J Jefferies
R L Weller (Resigned 6 April 2015)
M K P Blake
V M Buffa (Appointed 1 July 2015)
W H Riley (Appointed 1 July 2015 and Resigned 27 July 2016)
T Paradie (Appointed 27 July 2016)

The company has arranged qualifying third party indemnity for all of its directors.

Results and Dividends

During the year the company made an operating profit of £2,073,634 and a profit of £1,773,240 after tax.

Dividends of £3,485,397 were paid during the year.

The directors do not propose the payment of a final dividend.

Going concern

Based on the factors described in the Strategic Report above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

The company sells its products in two major currencies, Sterling and US Dollars and is therefore exposed to the risks and uncertainties associated with the movements of those currencies. The raw material and selling prices of some products are both denominated in foreign currency and the exchange rate risk is therefore limited to the company's margin on those products. For all other products the full sales value is exposed to currency risk. From time to time the company uses forward foreign currency contracts to mitigate the exchange risk.

Research and Development

The company continues to invest in the development of new technologies. Research and development expenditure in the year amounted to £1,127,000.

Report of the Directors (continued)

Post Balance sheet events

Subsequent to the year end on 22 June 2016, the company's ultimate parent undertaking, Data Device Corporation, was acquired by Transdigm Group Inc, a company incorporated in the USA. Transdigm is now considered to be the company's ultimate parent and ultimate controlling party.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements.

The directors are responsible for preparing the Strategic Report and the Directors' 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). 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

Disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

Ernst & Young LLP were appointed in the year and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approval

The report of the directors was approved by the Board on 28 September 2016 and signed on its behalf by:



V M Buffa
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PASCALL ELECTRONICS LIMITED

We have audited the financial statements of Pascall Electronics Limited for the year ended 31 December 2015 which comprise the Statement of total comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Ernst + Young LLP

David Marshall (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

29/9/2016

Statement of total comprehensive income

For the year ended 31 December 2015

		2015	2014
	Note	£	£
Turnover	2	12,410,020	10,327,090
Cost of sales		(8,839,708)	(7,183,402)
Gross profit		3,570,312	3,143,688
Distribution costs		(335,820)	(313,849)
Administrative expenses		(1,191,795)	(1,245,828)
Other operating income		30,937	41,250
		1,496,678	(1,518,427)
Operating profit	3	2,073,634	1,625,261
Interest receivable and similar income	4	9,474	21,848
Interest payable and similar charges	5	(40,368)	(82,486)
Profit on ordinary activities before taxation		2,042,740	1,564,623
Tax on profit on ordinary activities	8	(269,500)	(270,236)
Profit for the financial year		1,773,240	1,294,387
Other comprehensive income		-	-
Total comprehensive income for the year		1,773,240	1,294,387

All the activities of the company are classed as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2015

	Called Up Share Capital £	Share Premium Account £	Profit and Loss Account £	Total Equity £
Opening Equity 1 January 2014	53,822	233,129	3,520,408	3,807,359
Changes in equity for the year 2014				
Total comprehensive income for the financial year	-	-	1,294,387	1,294,387
Dividends paid	-	-	(459,431)	(459,431)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing Equity at 31 December 2014	53,822	233,129	4,355,364	4,642,315
	<hr/>	<hr/>	<hr/>	<hr/>
Changes in equity for the year 2015				
Total comprehensive income for the financial year	-	-	1,773,240	1,773,240
Dividends paid	-	-	(3,485,397)	(3,485,397)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing Equity at 31 December 2015	53,822	233,129	2,643,207	2,930,158
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Statement of financial position

At 31 December 2015

Company number : 1316674	Note	2015 £	2014 £
Fixed assets			
Tangible assets	10	2,569,886	2,089,417
Current assets			
Stocks	11	1,989,339	1,548,997
Debtors	12	2,193,738	5,163,531
Cash at bank and in hand		573,751	53,026
Creditors: Amounts falling due within one year	13	(3,881,608)	(2,574,689)
Net current assets		875,220	4,190,865
Total assets less current liabilities		3,445,106	6,280,282
Creditors: Amounts falling due after more than one year	14	(514,948)	(1,637,967)
Net assets		2,930,158	4,642,315
Capital and reserves			
Called up share capital	16	53,822	53,822
Share premium account		233,129	233,129
Profit and loss account		2,643,207	4,355,364
Total equity		2,930,158	4,642,315

The financial statements were approved and authorised for issue by the Board 28 September 2016 and signed on its behalf by:



V M Buffa
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

Pascall Electronics Limited is a limited liability company incorporated in England. The registered office is c/o DDC Electronics Ltd, Brunswick Road, Cobbs Wood, Ashford, Kent TN23 1EH.

The financial statements have been prepared in compliance with Financial Report Standard 102, the Financial Reporting Standard applicable to the UK and the Republic of Ireland as it applies to the financial statements of the company for the year ended 31 December 2015.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS102 has affected the reported financial position and financial performance is given in note 20.

Basis of preparation

The financial statements are prepared in accordance with applicable United Kingdom accounting standards including FRS 102 and under the historical cost convention.

Turnover

Revenue recognition for products and services provided by the Company depends upon the type of contract involved. Engineering/design services contracts generally entail design and production of a prototype over a term of up to several years, with revenue recognised over the term of the contract on a percentage of completion basis. Production contracts provide for a specific quantity of products to be produced over a specific period of time. Customers issue binding purchase orders or enter into binding agreements for the products to be produced. The Company recognises revenues on these orders as the products are shipped. An estimate of warranty cost is recorded at the time revenue is recognised. The Company offers extended warranty contracts which usually incur an additional cost to its customers, which are recognised rateably over the term of the extended warranty contract.

Significant Judgments and Sources of Estimation Uncertainty

The Company uses various estimation techniques in the following areas:

(a) product warranty liabilities for which generally, the Company's products carry a standard one-year, limited parts and labour warranty. In a number of cases, the Company provides a two-year limited parts and labour warranty. The Company offers extended warranty contracts which usually incur an additional cost to its customers, which are recognised rateably over the term of the extended warranty contract. Historically, the Company has not experienced significant warranty costs or returns. The Company records a liability for estimated costs that it expects to incur under the basic limited warranties when product revenue is recognised. Factors affecting the warranty liability include the number of units sold, historical and anticipated rates of claim and costs per claim. The Company periodically assesses the adequacy of its warranty liability accrual based on changes in these factors.

(b) Engineering design contracts costs are derived on the basis of the costs incurred to-date and an estimate of the costs to complete on the overall program. Estimates are made on the basis of utilising the engineering management estimates and also take into account prior experience of the development of similar technologies. Any losses associated with the total cost estimate versus revenue are provided for immediately. Any profits are reflected against the percentage complete of the overall program in conjunction with the same percentage reflected as revenue.

(c) Inventory obsolescence is based on company policy that determines the provision relative to age and usage which are then subject to review for specific situations.

Notes to the Financial Statements

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Research and development

Expenditure on pure and applied research is charged to the income statement in the year in which it is incurred.

Development costs are charged to the profit and loss account unless individual projects satisfy all of the following criteria:

The project is clearly defined and related expenditure is separately identifiable; the project is technically feasible and commercially viable; current and future costs are expected to be exceeded by future sales; and adequate resources exist for the project to be completed.

In such circumstances, the costs are capitalised and amortised when significant commercial production occurs, on a systematic basis.

Tangible fixed assets and depreciation

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

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their useful economic lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

The principal annual rates used are as follows:

Freehold Buildings	40 years	
Freehold Land	Not depreciated	
Short leasehold property	life of lease	
Plant and machinery	10%-25%	Straight line
Motor vehicles	20%	Straight Line

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined by using a weighted average for which the stocks are consumed on a first in, first out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. The direct labour element of work in progress is estimated by determining the percentage complete of each of the works orders in process at the end of the accounting period. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Long-term contracts

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the income statement as the difference between the reported turnover and related costs for that contract. Full provision is made for all known or expected losses on individual contracts. Invoices against each contract are raised based on milestone events being achieved in line with the Purchase Order placed, however, these are removed from revenue and replaced by a percentage complete calculation. This calculation is based on the costs incurred to date, together with costs expected to complete the whole project. This percentage of completion is then applied to the overall contract value such that this is then recorded as the revenue until 100% complete.

Notes to the Financial Statements

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the term lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Pension costs

The pension costs charged against operating profits are the contributions payable to the defined contribution scheme in respect of the accounting period. The assets of the scheme are held separately from those of the company in an independently administered fund.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the Financial Statements

For the year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

FRS102 – Reduced Disclosures

The following disclosure exemptions, available under FRS 102 have been used in the preparation of these financial statements:

- No cashflow statement has been presented for the company.
- Disclosures in respect of financial instruments have not been presented.
- Disclosures in respect of dividend payments have not been presented.
- No disclosures have been given for related party transactions that relate to i) transactions with other wholly owned subsidiaries of Transydgim Group and ii) remuneration of key management.

The smallest group of undertakings for which publically available consolidated accounts are prepared is headed by DDC UK (Holdings) Ltd, whose registered address is James House, 27-35 London Road, Newbury, Berkshire, RG14 1JL and for which accounts can be obtained from Companies House.

2. TURNOVER BY GEOGRAPHICAL MARKET

Turnover is wholly attributable to the principal activity of the company.

An analysis of turnover by geographical market is given below:

	2015 £	2014 £
European Community (excluding UK)	479,775	384,430
North America	7,490,300	6,437,466
Asia	394,471	438,112
Africa	4,720	-
	<hr/>	<hr/>
Export sales	8,369,266	7,260,008
United Kingdom	4,040,754	3,067,082
	<hr/>	<hr/>
	12,410,020	10,327,090
	<hr/> <hr/>	<hr/> <hr/>

An analysis of turnover by categories is given below:

	2015 £	2014 £
Sale of goods	12,258,604	10,271,810
Services	151,416	55,280
	<hr/>	<hr/>
	12,410,020	10,327,090
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2015

3. OPERATING PROFIT

The operating profit is arrived at after charging/ (crediting):

	2015 £	2014 £
Depreciation of tangible fixed assets	153,819	150,995
Auditors' remuneration		
- Audit Fee	26,532	24,965
- Non Audit Fee	750	-
Research and development	1,126,917	1,011,202
Operating lease rentals		
- plant and machinery	35,666	38,812
Foreign exchange gains	19,121	23,564
	<u> </u>	<u> </u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable during the year was as follows:-

	2015 £	2014 £
Other interest receivable	9,474	21,848
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable during the year was as follows:-

	2015 £	2014 £
Bank interest payable	6,981	13,008
Mortgage interest payable	31,006	65,003
Finance leases and hire purchase contracts	1,856	3,343
Other	525	1,132
	<u> </u>	<u> </u>
	<u>40,368</u>	<u>82,486</u>

Notes to the Financial Statements

For the year ended 31 December 2015

6. DIRECTORS AND EMPLOYEES

The average number of staff employed by the company during the financial period, amounted to:

	2015 £	2014 £
Production and ancillary	108	101
Administration and sales	13	13
	<u>121</u>	<u>114</u>

Staff costs (including directors) during the year were as follows:

	2015 £	2014 £
Wages and salaries	3,034,194	2,746,160
Social security costs	332,863	263,945
Other pension costs	230,010	206,898
	<u>3,597,067</u>	<u>3,217,003</u>

7. DIRECTORS

Remuneration in respect of directors was as follows:

	2015 £	2014 £
Remuneration for qualifying services	121,337	79,158
Value of company pension contributions to money purchase schemes	12,542	11,306
	<u>133,879</u>	<u>90,464</u>

The number of directors who directly accrued benefits under company pension schemes was follows:

	2015 No	2014 No
Money purchase schemes	<u>1</u>	<u>1</u>

Notes to the Financial Statements

For the year ended 31 December 2015

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	2015 £	2014 £
<i>Current tax:</i>		
UK Corporation tax	227,826	222,075
Adjustment in respect of prior year	6,134	(5,518)
	<hr/>	<hr/>
Total current tax	233,960	216,557
<i>Deferred taxation:</i>		
Origination and reversal of timing differences	34,907	8,729
Adjustment in respect of prior year	-	44,950
Effect of tax rate change on opening balance	633	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities	<u>269,500</u>	<u>270,236</u>

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard (2014 : higher than) rate of corporation tax in the UK of 20.25% (2014 : 21.5%). The differences are explained as follows:

	2015 £	2014 £
Profit on ordinary activities before taxation	2,042,740	1,564,623
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	413,655	336,394
Effects of:		
Additional deduction for R&D expenditure	(44,949)	(68,336)
Expenses not deductible for tax purposes	10,547	82
Capital allowances in excess of depreciation	-	(45,354)
Other timing differences	-	49,513
Group relief surrendered/(claimed)	(106,644)	(41,495)
Adjustment to tax charge in respect of prior periods	6,134	39,432
Other deferred tax differences	(9,103)	-
	<hr/>	<hr/>
Total tax charge (note 8 (a))	<u>269,500</u>	<u>270,236</u>

Notes to the Financial Statements

For the year ended 31 December 2015

9. DIVIDENDS PAID

	2015 £	2014 £
Interim dividend paid of £43.41 (2014: £8.54) per share	3,485,397	459,431

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1st January 2015	1,910,789	303,840	1,957,120	32,063	4,203,812
Additions (including progress payments)	426,748	-	207,540	-	634,288
Transfers	14,000	-	(14,000)	-	-
Disposals	-	-	(25,350)	-	(25,350)
At 31 December 2015	2,351,537	303,840	2,125,310	32,063	4,812,750
Depreciation					
At 1st January 2015	65,922	282,302	1,748,902	17,269	2,114,395
Charge for the year	37,668	12,744	98,609	4,798	153,819
Disposals	-	-	(25,350)	-	(25,350)
At 31 December 2015	103,590	295,046	1,822,161	22,067	2,242,864
Net book value					
At 31 December 2015	2,247,947	8,794	303,149	9,996	2,569,886
At 31 December 2014	1,844,867	21,538	208,218	14,794	2,089,417

Plant and machinery stated above include assets held under finance leases and similar hire purchase contract as follows:

	£
Net book value at 31 December 2015	86,804
Net book value at 31 December 2014	147,757
Depreciation provided in the year	60,953

Notes to the Financial Statements

For the year ended 31 December 2015

11. STOCKS

	2015 £	2014 £
Raw materials and consumables	1,073,444	909,925
Work in progress	756,125	569,188
Finished goods and goods for resale	159,770	69,884
	<u>1,989,339</u>	<u>1,548,997</u>

12. DEBTORS : AMOUNTS OWED WITHIN ONE YEAR

	2015 £	2014 £
Trade debtors	1,722,963	1,973,273
Amounts owed by group undertakings	12,303	2,962,560
Other debtors	125,119	43,887
Prepayments and accrued income	125,104	31,974
Deferred tax asset (Note 15)	-	6,329
Amounts recoverable on contracts	208,249	145,508
	<u>2,193,738</u>	<u>5,163,531</u>

Included within trade debtors are £782,756 (2014 : £ 1,012,330) which have been used as security for bank borrowings.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Bank loans and overdrafts (secured – note 18)	15,369	210,636
Mortgage loan	-	46,432
Trade creditors	1,439,667	953,249
Amounts owed to group undertakings	1,026,223	-
Obligations under hire purchase agreements	11,274	23,807
Other taxation and social security	74,238	72,857
Corporation tax	102,852	148,101
Accruals and other deferred income	1,182,774	1,119,607
Deferred tax liability (Note 15)	29,211	-
	<u>3,881,608</u>	<u>2,574,689</u>

Employer pension contributions outstanding on employee pension arrangements at 31 December 2015 amounted to £19,858 (2014: £18,118) and are included within accruals and deferred income.

Bank loans and overdrafts totalling £15,369 (2014 : £210,636) are secured on specific trade debtors of the company.

Notes to the Financial Statements

For the year ended 31 December 2015

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Mortgage loan from Lloyds TSB originally totalling £1,400,000 on 28 February 2013 (value as at 31 December 2014: £1,320,726) used to purchase freehold property, over 20 years, was settled early as part of the acquisition of the company by Data Device Corporation on 30 June 2015.

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2015 £	2014 £
Obligations under finance leases and hire purchase agreements		
- two to five years	3,722	14,349
Deferred income	511,226	349,324
Mortgage loan	-	1,274,294
	<u>514,948</u>	<u>1,637,967</u>

The mortgage loan was repaid in the year (note 13)

Amounts payable under finance leases and hire purchase agreements are secured on the assets to which they relate.

15. DEFERRED TAXATION

	Deferred tax asset/(liability) £
At 1 January 2015	6,329
Charged to profit and loss account	(35,540)
	<u>(29,211)</u>
At 31 December 2015	<u>(29,211)</u>

The deferred tax asset/(liability) recognised in the financial statements is set out below:

	2015 £	2014 £
Accelerated capital allowances	(44,429)	(8,954)
Other timing differences	15,218	15,283
	<u>(29,211)</u>	<u>6,329</u>

Notes to the Financial Statements

For the year ended 31 December 2015

16. SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid 53,822 ordinary shares of £1 each	53,822	53,822

17. FINANCIAL COMMITMENTS

Operating lease commitments

The company is committed to the following future minimum rentals payable under non-cancellable operating leases:

	2015 £	2014 £
(i) Land and buildings, leases expiring within one year	-	-
(ii) Other assets, leases expiring		
- within one year	30,938	25,788
- two to five years	28,379	35,936
	59,317	61,724

Finance lease commitments

The company is committed to make the following future minimum lease payments under finance leases:

	2015 £	2014 £
(i) Land and buildings,	-	-
(ii) Other assets,		
- within one year	11,274	23,160
- two to five years	3,722	14,996
	14,996	38,156

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The company, together with other group undertakings, is party to a cross guarantee contingent liability given in respect of the bank loans and overdrafts of the participating companies. As at 31 December 2015 the total of the loans and overdrafts guaranteed by the company under this agreement amounted to £15,369 (2014 : £Nil).

Notes to the Financial Statements

For the year ended 31 December 2015

19. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption offered by FRS 102 not to disclose transactions with other group companies on the grounds that it is a wholly owned subsidiary and group accounts are publicly available from the registered office of the ultimate parent company.

20. TRANSITION TO FRS102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2015. There are no adjustments arising from this transition to the total equity previously reported by the Company under UK GAAP as at 1 January 2014 or 31 December 2014, and no adjustment to the Income or costs reported for the year ended 31 December 2014. Accordingly no reconciliations have been disclosed.

On the transition to FRS 102, the company has taken advantage of the transitional relief provisions in Section 35 of FRS 102 relating to the following:

- Business combinations and Goodwill – the Company has elected not to apply Section 19 to business combinations that were effected before the date of transition to FRS 102.
- Share based Payments – the Company has elected not to apply Section 26 to equity instruments granted before 2002, which was the date when previous UK GAAP requirements (FRS 20) became applicable to the company.
to the company.

21. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Pascall Electronic (Holdings) Limited.

The company's ultimate parent undertaking for the year the accounts were drawn up was Data Device Corporation, a company incorporated in the United States of America. Data Device Corporation acquired the equity of the companies ultimate UK parent, Emrise Electronics Limited, on 30th June 2015 from Emrise Corporation.

The smallest group of undertakings for which group accounts are prepared is headed by DDC UK (Holdings) Ltd, whose registered address is James House, 27-35 London Road, Newbury, Berkshire, RG14 1JL and for which accounts can be obtained from Companies House.

Subsequent to the year end, Transdigm Group Inc. ('Transdigm'), a company incorporated in the United States of America, acquired Data Device Corporation, the ultimate parent, on 22 June 2016. Transdigm is now considered to be the company's ultimate parent and ultimate controlling party.