

Company Number: 08292872

SAFRAN ELECTRICAL & POWER UK LTD

**Report and financial statements
for the year ended**

31 December 2021

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CONTENTS	Pages
Directors and advisers	3
Strategic report	4
Directors' report	8
Directors' responsibilities statement	12
Independent auditor's report	13
Statement of comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Notes to the financial statements	20

DIRECTORS AND ADVISERS

Directors

S Cueille
G Bodolec
H Blanc

Company secretary

E J Wilson

Registered office

Pitstone Green Business Park
Westfield Road
Pitstone
Leighton Buzzard
LU7 9GT

Bankers

Barclays
1 Churchill Place
London
E14 5HP

Auditors

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Tax advisers

KPMG LLP
1 St. Peters Square
Manchester
MA2 3AE

STRATEGIC REPORT

The Directors present the strategic report for Safran Electrical & Power UK Ltd for the year ended 31 December 2021.

Principal activities

The principal activities of the company comprise electrical power generation and distribution equipment and services to the world's aerospace and defence industries.

The company was incorporated on 14 November 2012 and on 26 March 2013 acquired the trade and assets of the Power and Distribution business from Goodrich Corporation.

On the 19 May 2016 the company changed its name from Safran Power UK Ltd to Safran Electrical and Power UK Ltd.

Business review

The key financial and other performance indicators during the year of account were as follows:

	2021 £'000	2020 £'000
Turnover	98,793	103,767
Operating loss	(1,391)	(2,169)
Earnings before interest, tax, depreciation and amortisation	6,615	6,407
Loss after tax	(2,623)	(2,272)
Shareholder's funds	167,443	170,066
Current assets as % of current liabilities	676%	760%
Average number of employees	341	446

Sales in 2021 continued to be impacted by the drop in global commercial air travel caused by the COVID pandemic, however the military programmes remained strong. Aftermarket spares sales increased, however Maintenance, Repair and Overhaul (MRO) activity declined versus prior year. The company outperformed its sales and EBIT projections due to strong aftermarket spares sales and also due to lower operating expenses.

Key markets segments are still commercial and regional aircraft, business jets, rotor craft and military. Work has continued on a number of committed development projects particularly for Saab Gripen & TX fighter aircraft, the Bell 525 medium lift helicopter and CH53k, a US military helicopter programme. In addition to these programmes, the company has continued to make significant progress in the development of its EngineUS™ range of smart motors and is preparing the Pitstone site for the volume manufacture of these new motors. The company continues to invest in advanced power generation technology through the development of its GeneUS™ range of smart generators.

During the year the company sold its Electronics module manufacturing business to another Safran Group company in France. This decision was taken in order to allow the business to focus upon its core activity of rotating machines. The company continues to design and develop Generator Control Units (GCU's), and sell those products to its customers, however they are now manufactured in France.

STRATEGIC REPORT (continued)

As we operate in a high technology environment, there will always be risks of warranty and product reliability, as well as contractual risks. These are well known and managed using the robust Safran risk management process.

Throughout the year the company continued to operate COVID safety measures across the business. Threat levels were monitored closely and risk mitigation measures swiftly applied when required. The business continues to operate this way today, updating COVID protection measures in line with guidance from the UK Government and Safran Group.

The company continues to invest in research and technology development innovation, whilst working closely with the OE manufacturers to ensure that product innovation is relevant and commercially viable.

The company has cash levels held with the group treasury company of £70.2m (2020: £53.6m). Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") at £6.6m (2020: £6.4m), reflects our commitment to Research and Development ("R&D").

The Directors have prepared a detailed cash flow forecast, based upon the latest industry data, which projects positive cash flow in 2022 and 2023.

Financial risk management

The company's policy does not permit trading in any financial instruments. The company's principal financial instruments comprise cash and short term trading balances. The group's treasury function takes out forward currency contracts to manage this risk at group level. The main purpose of the forward currency contracts is to reduce the impact of currency exchange movements on trading results.

Foreign Currency Risks

The company buys and sells goods and services denominated in currencies other than Sterling. As a result, the value of the company's non-Sterling denominated revenues, purchases and cash flows can be significantly affected by movements in exchange rates in general and in US dollar rates in particular.

The company holds monetary assets and liabilities in which the underlying currency is a currency other than the company's functional currency which is Sterling. Revaluation of such assets and liabilities is performed on a monthly basis with movements reflected in profit or loss as they arise. The group's treasury function takes out forward currency contracts to manage this risk at a group level.

Liquidity Risks

The company aims to mitigate liquidity risks by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled with authorisation limits operating at different levels up to group board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

Credit Risks

In the normal course of business the company sells items on deferred terms to other parties. Any risks associated with these third parties failing to honour their obligations arising from these transactions is minimised through rigorous credit control procedures with deferred terms only being granted to customers who demonstrate an appropriate payment history and satisfy other financial requirements. Individual

STRATEGIC REPORT (continued)

Credit Risks (continued)

exposures are continuously monitored on a customer by customer basis to ensure that exposure to bad debts is minimised. As a result of this, goods may sometimes only be supplied on a cash-with-order basis or supply declined entirely. There were no significant bad debt write-offs in 2021, and the provision for doubtful debts is reviewed as required.

S172 Companies Act Disclosures

The Directors are fully apprised of their responsibilities under section 172 of the Companies Act 2006. The following disclosure describes how the Directors have had regard to the matters set out in section 172 of the Companies Act and have taken decisions for the long term benefit of Safran Electrical & Power UK Ltd and its stakeholders;

Business

In 2021 the company sold its Electronics module manufacturing business to another Safran Group company located in France. This decision was taken in order to allow the business to focus upon its core activity of rotating machines. A period of consultation was held with all of the impacted stakeholders. The floor space previously occupied by the Electronics module will now be used for the new electrical motors production line.

Governance

Each month the Board members meet to review the status of the business in terms of financial performance, risks & key decisions and actions. Decisions taken are aligned with the long-term strategy of the Power Division, part of Safran Electrical & Power, a tier one company of Safran. The Board of Directors is responsible for ensuring adherence to the ethical standards of Safran, and that all employees act with integrity.

Stakeholder Engagement

The Directors of the company actively work to strengthen relationships with the key stakeholders within the company both internal and external to Safran. Internal stakeholder communication is managed on a day-to-day basis through the hierarchical structure of Safran Electrical & Power. Customer engagement is performed through the Programme Management function, whilst suppliers have dedicated account managers from the Purchasing function of the company.

STRATEGIC REPORT (continued)

S172 Companies Act Disclosures (continued)

Employees

The company has an active employee engagement programme and the Board of Directors are responsible for leading the implementation of the company's health, safety and environmental policy. The safety of employees is the number one priority of the Directors and the company adheres to the Safran HSE standards framework and local HSE regulations. Recently an employee wellbeing programme has been rolled out which provides support to the employees in areas such as physical, mental and financial health.

Community and environment

The Directors of the company are committed to reducing carbon emissions at the Pitstone site. The company has ambitious carbon reduction targets aligned with the overall Safran Group strategy to achieve scope 1 & scope 2 carbon emissions reduction of 30% by 2025 versus 2018. A new, more energy efficient site chiller system is being installed, and a project is underway to construct a Solar PV system at the site.

**Approved by the board of Directors
and signed on behalf of the board**



G Bodolec

5 May 2022

DIRECTORS' REPORT

The Directors present their report and the financial statements for year ended 31 December 2021. The description of the financial risk management of the company is included with the principal risks and uncertainties discussion in the strategic report for the year ended 31 December 2021.

Results for the year and dividends

The loss for the year after taxation was £2,623,000 (2020: loss of £2,272,000). The Directors do not recommend the payment of a dividend.

Directors

The Directors of the company who served during the year and up to the date of this report are:

P Clifford (resigned on 4 January 2021)
H Blanc (appointed on 5 January 2021)
A Sauret (resigned on 12 July 2021)
S Cueille (appointed on 22 July 2021)
G Bodolec

Research and Development activities

The company commits substantial funds to research and development of new products for the aerospace industry. The total spent during the year was £11,380,000 (2020: £12,350,000).

Employment policies

Applications for employment from disabled people are given full and fair consideration bearing in mind the aptitudes and abilities of each person in relation to the requirements of the job. Employees who become disabled during service and are unable to carry out the work for which they were employed receive individual attention. Wherever possible, arrangements are made for their continued employment and they may be eligible for special training if there is a particular individual need. Disabled people have the same training, career development and promotion opportunities as all other employees.

Employee involvement

It is the policy of the company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as meetings, company newsletters and training sessions. A wide range of procedures exists for consultation with employees and their representatives.

It is the policy of the company to create a common awareness amongst employees of the financial and economic factors affecting the performance of the company. The employees are being kept fully aware of the business impacts resulting from the COVID pandemic, supply chain disruption and the latest global air traffic recovery projections.

DIRECTORS' REPORT (continued)

Streamlined Energy and Carbon Reporting (SECR) Statement

Safran Electrical and Power UK Ltd are committed to reducing our energy and greenhouse gas emissions in line with our corporate targets. We are participants in the Energy Savings Opportunity Scheme (ESOS), and have also committed to a Climate Change Agreement (CCA), which requires the business to continuously reduce our energy consumption and associated emissions.

In the reporting year, the company consumed 7,891 MWh of energy associated with Scope 1 and 2 emissions. The majority of this consumption (66%) was associated with electricity consumption. The balance of our energy consumption was associated with natural gas supply. The Carbon Dioxide emissions associated with the above supplies have been calculated to be 1,698 tonnes CO₂e.

Our energy consumption per unit of production (manufactured units) was 1,469 kWh per unit, and the CO₂e emissions were 316 kg per unit manufactured. Our energy consumption per million pound of gross turnover was 79,879 kWh per million pounds, and the CO₂e emissions was 17,184 kg per million pounds.

	2020	2021
Energy Consumption associated with scope 1 & 2 emissions (MWh)	6,920	7,891
CO ₂ e associated with scope 1 & 2 emissions (tonnes)	1,519	1,698
Energy consumption per unit of production (kWh)	1,864	1,469
CO ₂ e emissions per unit of production (kg)	409	316
Energy consumption per million pound of gross turnover (kWh)	66,868	79,879
CO ₂ e emissions per million pound of gross turnover (kg)	14,637	17,184

Our energy consumption has been calculated based upon metered and invoiced supplies in all instances. Our reporting incorporates all Scope 1 and 2 supplies, and our greenhouse gas emissions have been calculated using location based reporting practices and relevant conversion factors as published by BEIS for 2021 reporting.

In 2021 the Pitstone site continued working with suppliers to investigate options for a Solar PV system to be installed at the site. This initiative is aligned with Safran Electrical and Power UK's strategy to substantially reduce its carbon footprint through the reduction of direct CO₂e emissions from product manufacturing, and indirect emissions from energy purchased and consumed. The Solar PV system project is well advanced and the current projection is that solar panels will be installed at the Pitstone site within the next 12 months.

In addition to the Solar PV system project, the company placed an order with a supplier in November 2021 for a new site chiller system. The new site chiller system will reduce energy consumption by around 8% of total site demand and is expected to be commissioned by the end of April 2022.

In April 2022, the company received approval to invest in a new building management system (BMS) that will greatly reduce energy consumption across the Pitstone site. The project is in the planning phase and a new BMS is expected to be installed in the second half of 2022.

Future developments

The company will continue to develop core technologies and utilise these to grow the business with existing and new customers. The company will continue to invest in new technologies and markets, particularly the EngineUS™ electrical motor range and the GeneUS™ smart generator range.

DIRECTORS' REPORT (continued)

Subsequent events

There are no subsequent events to report.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to risks are described in the strategic report.

The company is financed through equity finance from its parent company Safran SA. Safran SA itself has a low gearing level with significant borrowing facilities. The company has net current assets of £105,009,000 (2020: £96,716,000) and is cash generative. The Directors latest forecasts show the company generating positive cash flows through the 12-month period from the date of the approval of this report. Surplus cash, in excess of the needs of Safran Electrical & Power UK Limited is held by the group treasury function and as a result is included in amounts owed by fellow group undertakings. The Directors have made enquiries of Safran SA confirming the availability of the cash should the need arise, the Directors have also assessed the ability of Safran SA to make the cash available. Safran SA had further issued a letter of support confirming its continued support of the company for a period of 12 months from the date of the approval of this report.

After making enquiries, 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 annual report and accounts.

Statement by the Directors on performance of their Statutory duties in accordance with s172(1) Companies Act 2006

The Directors are fully appraised of their responsibilities under section 172 of the Companies Act 2006. In line with their duties under s172(1) Companies Act 2006, they act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so, have regard to a range of matters when making decisions for the long term. How s172 has been applied by the Directors is outlined in the Strategic Report.

DIRECTORS' REPORT (continued)

Disclosure of information to the auditors

In the case of each person who was a Director at the time this report was approved:

- so far as that Directors was aware there was no relevant audit information of which the company's auditors were unaware; and
- Directors had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

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

Auditors

A resolution to re-appoint the auditors, Ernst & Young LLP, will be proposed at the next Annual General Meeting.

**Approved by the board of Directors
And signed on behalf of the board**



G Bodolec

5 May 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' report and the financial statements in accordance with applicable United Kingdom 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 Financial Reporting Standard FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, 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 appropriate to presume that the company will not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent auditor's report to the members of Safran Electrical & Power UK Limited

Opinion

We have audited the financial statements of Safran Electrical & Power UK Ltd for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditor's report to the members of Safran Electrical & Power UK Limited (continued)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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

Independent auditor's report to the members of Safran Electrical & Power UK Limited (continued)

Responsibilities of directors (continued)

concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined the most significant to be those relating to United Kingdom General Accepted Accounting Practice, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including aviation regulations, health and safety regulations, environmental regulations and GDPR.
- We understood how Safran Electrical & Power UK Ltd is complying with those frameworks by making enquiries with management and those responsible for legal and compliance procedures. We corroborated our enquiries through, review of board minutes, correspondence with regulatory bodies and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We challenged management to understand where it considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the controls which the company has established to address risks identified or that otherwise prevent, deter and detect fraud: and how senior management monitors these and controls. We determined there to be a risk of management override in relation to the posting of non-standard manual journals in respect of revenue, the recognition of project related revenues and the estimates inherent in respect of the warranty and penalty provision calculations. To address the risk of management override, we have used data analytics and obtained the entire population of journals for the year, and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation. For project related revenues we have vouched revenues to contracts and challenged assumptions used in budgets that drive the recognition of revenue. We have further corroborated management's assumptions by agreeing to either historical

Independent auditor's report to the members of Safran Electrical & Power UK Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

trends and data or actual current cost information. With respect to warranty and penalty provisions, we performed substantive procedures to gain assurance over the balances, which included agreement to source documentation, vouching the appropriateness of assumptions made and/or confirming amounts settled pre and post year-end.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations and risk of management override. Our procedures included obtaining and reading board and management meeting minutes and relevant approval documents, enquiries of senior finance personnel and those charged with governance and agreement of samples of transactions throughout the audit to supporting source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Mandip Dosanjh (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date: 5 May 2022

SAFRAN ELECTRICAL & POWER UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Turnover	3	98,793	103,767
Cost of sales		<u>(59,628)</u>	<u>(65,267)</u>
Gross profit		<u>39,165</u>	<u>38,500</u>
Administrative expenses		(49,492)	(50,895)
Other operating income	4	<u>8,936</u>	<u>10,226</u>
Operating loss	5	<u>(1,391)</u>	<u>(2,169)</u>
Interest receivable	9	8	-
Interest payable	9	<u>(29)</u>	<u>(3)</u>
Loss before taxation		<u>(1,412)</u>	<u>(2,172)</u>
Taxation	10	<u>(1,211)</u>	<u>(100)</u>
Loss for the year and total comprehensive loss for the year		<u>(2,623)</u>	<u>(2,272)</u>

The notes on pages 21 to 36 form part of these financial statements.

SAFRAN ELECTRICAL & POWER UK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Intangible assets	11	77,699	85,019
Tangible assets	12	14,194	17,706
Investments	13	211	219
Fixed assets		92,104	102,944
Stock	14	27,775	31,902
Debtors	15	95,470	79,470
Current assets		123,245	111,372
Creditors: amounts falling due in less than one year	16	(18,236)	(14,656)
Net current assets		105,009	96,716
Total assets less current liabilities		197,113	199,660
Creditors: amounts falling due in more than one year	17	(4,053)	(4,682)
Provisions for liabilities	18	(25,617)	(24,912)
Net assets		167,443	170,066
Capital and reserves			
Share capital	19	229,687	229,687
Share premium	20	2,213	2,213
Retained earnings	20	(64,457)	(61,834)
		167,443	170,066

The financial statements were approved by the board of Directors and were signed on its behalf by :



G Bodolec

5 May 2022

Registered number 08292872

The notes on pages 21 to 36 form part of these financial statements.

SAFRAN ELECTRICAL & POWER UK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2019	229,687	2,213	(59,562)	172,338
Loss for the year and total comprehensive loss	-	-	(2,272)	(2,272)
Balance at 31 December 2020	<u>229,687</u>	<u>2,213</u>	<u>(61,834)</u>	<u>170,066</u>
Loss for the year and total comprehensive loss	-	-	(2,623)	(2,623)
Balance at 31 December 2021	<u>229,687</u>	<u>2,213</u>	<u>(64,457)</u>	<u>167,443</u>

The notes on pages 21 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

The principal accounting policies are summarised below.

Basis of preparation

Safran Electrical & Power UK Ltd is a private limited company incorporated in England and Wales. The address of the registered office is Pitstone Green Business Park, Westfield Road, Pitstone Green, Leighton Buzzard, LU7 9GT.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements of Safran Electrical & Power UK Ltd are prepared in Sterling which is the functional currency of the company and rounded to the nearest £'000.

Exemptions

The company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows; and
- the exemption from disclosing key management personnel compensation.

The company has also taken advantage of the following exemptions available under FRS 102 as equivalent disclosures have been given in the consolidated financial statements of Safran SA which include the results of Safran Electrical & Power UK Ltd.

- the exemption from certain financial instrument disclosures; and
- the exemption from disclosing related party transactions with entities that are part of the Safran Group.

The financial statements contain information about Safran Electrical & Power UK Ltd as an individual company and do not contain consolidated financial information. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its' parent, Safran SA.

The Safran SA accounts are available from www.safran-group.com or 2, bd du Général Martial-Valin, 75724 Paris, Cedex 15, France.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to risks are described in the strategic report.

The company is financed through equity finance from its parent company Safran SA. Safran SA itself has a low gearing level with significant borrowing facilities. The company has net current assets of £105,009,000 (2020: £96,716,000) and is cash generative. The Directors latest forecasts show the company generating positive cash flows through the 12-month period from the date of the approval of the financial statements. Surplus cash, in excess of the needs of Safran Electrical & Power UK Limited is held by the group treasury function and as a result is included in amounts owed by fellow group undertakings. The Directors have made enquiries of Safran SA confirming the availability of the cash should the need arise, the Directors have also assessed the ability of Safran SA to make the cash available. Safran SA had further issued a letter of support confirming its continued support of the company for a period of 12 months from the date of the approval of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

1 Accounting policies (continued)

Going concern (continued)

After making enquiries, 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 annual report and accounts.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when risks and rewards of ownership are transferred, this is dependent on customer terms but is usually on despatch of goods or delivery when specified by a customer.

Revenue arising from the provision of services is recognised by reference to when contracted repairs are undertaken and costs incurred.

Revenue from Research, Technological Development and Innovation (RTDI) is recognised according to the percentage of completion method, by reference to the level of progress of the contracts concerned and the percentage of costs completed.

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date ("balance sheet date"), monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions are taken to operating profit.

Research and Development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised over the production output of the related project.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the balance sheet date all leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

1 Accounting policies (continued)

Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the period and those actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income 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.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the total comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle on a net basis.

Research and development expenditure credits (RDECs) which are administered through the tax system are considered to have the characteristics of government grants and are therefore recognised in other operating income as they relate to revenue expenditure per the government grant accounting policy below.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company.

The cost of a business combination is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the company in exchange for control and the costs directly attributable to the business combination. The consideration transferred includes the estimate of any asset or liability resulting from a contingent consideration arrangement where the transfer of further consideration is probable and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

1 Accounting policies (continued)

Business combinations and goodwill (continued)

can be measured reliably. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. Contingent liabilities are only recognised where the fair value can be measured reliably.

The company measures goodwill at the acquisition date as the excess of the cost of the business combination over the acquirer's interest in the net amount of the identifiable assets, liabilities and contingent liabilities recognised. Subsequently goodwill is amortised on a straight line basis over its useful life. Where the useful life cannot be reliably estimated the goodwill is amortised over a maximum of five years. Goodwill on the acquisition in the period has been estimated at a life of five years.

When the excess is negative, the negative goodwill arising is recognised separately on the face of the balance sheet and released up to the fair value of the non-monetary assets as the non-monetary assets are recovered and otherwise in the periods expected to be benefited.

Intangible assets

In certain circumstances, the company becomes eligible to join new customer product programmes by way of a lump sum payment (entry fee) in return for a proportion of future revenues derived from eventual sales of the customers' product. Such sums are included in intangible fixed assets and amortised over the prudently estimated revenue pattern of the product.

Customer relations assets are recognised when acquired as part of a business combination at the fair value at the date of acquisition. They are subsequently amortised on a straight line basis, over their estimated useful life of between 10 and 23 years.

Core technology assets are recognised when acquired as part of a business combination at the fair value at the date of acquisition. Software is initially recognised at cost. They are subsequently amortised on a straight line basis, over their estimated useful life of between 3 and 19 years.

The estimated lives of intangible assets have been determined by the Directors following appropriate independent third party advice and are subsequently reviewed on an annual basis for changes in estimated lives and impairment.

Tangible assets

Tangible assets comprise Land and Buildings and Plant and Machinery. Land and Buildings and Plant and Machinery are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets to their residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Land	-	Nil
Buildings	-	3%-7%
Plant and Machinery	-	4%-33%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

1 Accounting policies (continued)

Investments in joint ventures

Investments in joint ventures are stated at cost less any provision for impairment.

Stock

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stock to its present location and condition. Cost is calculated using the standard costing method.

Government grants

Grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to the grant and the grant will be received. Grants relating to revenue are recognised in the income statement on a systematic basis that matches them with the related costs that they are intended to compensate using the accrual model.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that the company will be required to transfer economic benefits in settlement and the amount of the obligations can be estimated reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and are measured at initial recognition at the transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the company's cash management.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with changes in fair value recognised in profit or loss.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of non-financial assets

At each balance sheet date, tangible assets and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

2 Key sources of estimation uncertainty and judgements

The preparation of financial statements to conform to generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Judgements

Recognition of intangible assets

The recognition of intangible assets arising on a business combination requires judgement as to whether all the applicable conditions for recognition are met. This includes consideration of the form of the intangible asset and the reliability of the estimate of its fair value.

Key sources of estimation uncertainty

Impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated. The value in use calculation requires the company to estimate the future cash flows expected to arise from the CGU and apply a suitable discount rate in order to calculate the present value.

The company has considered the impact of the current aerospace market on the assumptions used and has conducted sensitivity analysis on the impairment test of the CGU's carrying value. This has not resulted in any impairment of the carrying value at 31 December 2021 as the CGU's recoverable amount exceeds its carrying value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

2 Key sources of estimation uncertainty and judgements (continued)

Stock provisions

The stock balances of £27,775,000 (2020: £31,902,000) recorded in the company's balance sheet comprise a mix of components, work in progress and finished goods. A review of slow moving and obsolete stock is carried out at the end of each month. Whilst every attempt is made to ensure that the stock provisions are as accurate as possible, there remains a risk that the provisions do not match the level of stock which ultimately prove to be held above the net realisable value.

Provisions for warranty and contract losses

The company reviews provisions for warranties and contract losses at the end of each month based upon the level of warranty costs observed over a three year period, and the current forward order book margins. Adjustments to these provisions are made accordingly in the month they occur.

Impairment of development costs

Capitalised development costs are reviewed for impairment on a regular basis. Impairment tests are carried out more frequently on programmes where there is a higher risk of impairment due to uncertainty in underlying business assumptions. An impairment is recorded immediately upon identifying that capitalised development costs are not supported by the business case.

Bad debt provisions

The trade debtors and intercompany balances of £19,735,000 (2020: £19,122,000) recorded in the company's balance sheet comprise a relatively small number of large balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

3	Turnover	2021	2020
		£000	£000
	Analysis By Country		
	United Kingdom	9,590	7,889
	United States of America	46,714	39,537
	Canada	9,156	7,610
	France	4,040	14,080
	Rest of Europe Union	19,904	19,377
	Rest of World	9,389	15,274
	Total	98,793	103,767
	Analysis by Type		
	Supply of Goods	83,349	80,751
	Supply of Service	15,444	23,016
	Total	98,793	103,767
4	Other Operating Income	2021	2020
		£000	£000
	Royalty income	1,808	2,166
	Research and development expenditure credit	1,027	1,486
	Other income	6,025	4,693
	Job retention scheme	76	1,881
	Total	8,936	10,226

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

5	Operating loss for the period is stated after charging/(crediting):	2021 £000	2020 £000
	Cost of stock recognised as an expense	39,645	49,734
	Impairment of stocks	18	1,067
	Impairment / (Reversal of impairment) of trade debtors	105	(275)
	Net research and development expenditure	11,380	12,350
	Depreciation on owned assets (see note 12)	2,323	2,755
	Amortisation (see note 11)	5,684	5,822
	Operating lease costs – plant and machinery	86	119
	Government grant income, relating to revenue	(2,222)	(3,844)
	Net foreign exchange (gains)/losses	(6)	546
		<hr/>	<hr/>
6	Auditors' Remuneration	2021 £000	2020 £000
	Fees payable to the company's auditors for the audit of the company's annual financial statements	98	98
	Fees payable to the company's auditors for other services to the company:		
	Audit-related assurance services	10	18
	Total	<hr/> 108 <hr/>	<hr/> 116 <hr/>
7	Staff costs		
	Average number of persons employed including executive directors was:	2021 Number	2020 Number
	Manufacturing	151	197
	Engineering	96	133
	Administration	94	116
	Total	<hr/> 341 <hr/>	<hr/> 446 <hr/>
	Staff costs for the above employees :	2021 £000	2020 £000
	Wages and salaries	18,304	20,246
	Social security costs	1,879	2,405
	Pension costs	1,426	2,031
	Total	<hr/> 21,609 <hr/>	<hr/> 24,682 <hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

8	Directors' remuneration	2021	2020
		£'000	£'000
	Directors' remuneration comprised :		
	Aggregate emoluments	<u>155</u>	<u>244</u>
	Highest paid director's remuneration comprised :		
	Aggregate emoluments	<u>155</u>	<u>244</u>

There was one (2020: one) Director accruing retirement benefits under a money purchase pension scheme. Of the Directors who served during the period only one (2020: one) was remunerated in respect of their services to the company. The services of the other Directors are of a non-executive nature and their emoluments are deemed to be wholly attributable to other Safran Group companies. Accordingly these financial statements include no emoluments in respect of these Directors (2020: nil).

9	Interest receivable / (payable)	2021	2020
		£'000	£'000
	Interest receivable from HMRC	8	-
	Interest payable to related company	(29)	(3)
		<u>(21)</u>	<u>(3)</u>

10	Taxation	2021	2020
		£'000	£'000

a) Tax charged in the Statement of Comprehensive Income:

Current tax

In respect of the current period	147	610
In respect of the prior period	(121)	(151)
	<u>26</u>	<u>459</u>

Deferred tax

Origination of timing differences	(311)	(256)
In respect of the prior period	182	92
Effect of tax rate change on opening balance	1,314	(395)
	<u>1,185</u>	<u>(559)</u>

Total tax charge for the period	<u>1,211</u>	<u>(100)</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

10 Taxation (continued)

b) Reconciliation of total tax charge:

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

	2021 £'000	2020 £'000
Loss before taxation	(1,412)	(2,172)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%)	268	413
Effects of :		
Fixed asset timing differences	(161)	(78)
Expenses not deductible for taxation	(33)	(19)
R&D expenditure credits	8	38
Transfers	-	-
Adjustment to tax charge in respect of previous period	(61)	(59)
Change in tax rate	(1,232)	(395)
Total tax charge for the period	(1,211)	(100)

c) Provision for deferred tax:

Deferred tax liabilities have been provided for in respect of the following:

	2021 £'000	2020 £'000
Accelerated capital allowances	5,228	4,233
Other short term timing differences	(33)	(223)
Total deferred tax (note 18)	5,195	4,010

d) Factors that may affect future tax charges:

Finance Act 2021 introduced the legislation to keep the corporation tax rate at 19% in 2021, with no further reduction. In addition, in the budget of March 2021, the Chancellor announced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. This change was substantively enacted by the balance sheet date. Deferred taxes are calculated at a 23.5% hybrid rate for those timing differences expected to reverse in 2023, and a 25% rate for those timing differences expected to reverse post 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

11 Intangible Assets	Entry fees	Development costs	Goodwill	Customer relations	Technology	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
As at 1 January 2021	5,281	23,592	98,131	57,056	43,914	12,367	240,341
Additions	-	1,055	-	-	-	16	1,071
Disposals	-	-	-	-	-	(750)	(750)
Reclassification	-	-	-	-	-	(74)	(74)
At 31 December 2021	5,281	24,647	98,131	57,056	43,914	11,559	240,588
Amortisation							
As at 1 January 2021	3,301	1,508	98,131	20,411	17,912	11,442	152,705
Charge for the year	295	116	-	2,634	2,311	328	5,684
On Disposal	-	-	-	-	-	(536)	(536)
At 31 December 2021	3,596	1,624	98,131	23,045	20,223	11,234	157,853
Impairment							
As at 1 January 2021	-	2,617	-	-	-	-	2,617
Charge for the year	-	2,419	-	-	-	-	2,419
At 31 December 2021	-	5,036	-	-	-	-	5,036
Net book value							
At 31 December 2021	1,685	17,987	-	34,011	23,691	325	77,699
At 31 December 2020	1,980	19,467	-	36,645	26,002	925	85,019

Amortisation of Entry fees, Customer relations and Technology is included within cost of sales in the statement of comprehensive income.

Customer relations and Technology assets acquired in the prior periods have a remaining useful economic life of 14 years and 10 years respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

12	Tangible assets	Land and buildings	Plant and machinery	Assets in course of construction	Total
		£'000	£'000	£'000	£'000
	Cost				
	As at 1 January 2021	9,388	24,718	2,035	36,141
	Additions	-	1,376	(623)	753
	Disposals	-	(3,014)	(18)	(3,032)
	Reclassification	-	74	-	74
	At 31 December 2021	9,388	23,154	1,394	33,936
	Depreciation				
	As at 1 January 2021	2,831	15,604	-	18,435
	Charge for the year	413	1,910	-	2,323
	On disposal	-	(1,016)	-	(1,016)
	At 31 December 2021	3,244	16,498	-	19,742
	Net book value				
	At 31 December 2021	6,144	6,656	1,394	14,194
	At 31 December 2020	6,557	9,114	2,035	17,706
13	Investment In Joint Venture			2021	2020
				£'000	£'000
	Cost				
	At 31 December			1,783	1,783
	Impairment				
	At 31 December			(1,572)	(1,564)
	Net book value				
	At 31 December			211	219

The Directors consider that as the investment is controlled jointly by Thales Avionics Electrical System SAS and Safran Electrical & Power UK Ltd in line with the joint venture agreement, it is treated as such within the accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

13 Investment in Joint Venture (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Country of incorporation	Nature of business	% voting rights and shares held
Aerolec SAS	France	Supplier to Airbus of aerospace power components	60% of ordinary shares

The registered address of Aerolec SAS is 41 Boulevard de la Republique 78400 CHATOU – FRANCE

14 Stock	2021	2020
	£'000	£'000
Raw materials and consumables	16,682	16,574
Work-in-progress	5,457	6,421
Finished goods	5,636	8,907
At 31 December	27,775	31,902

The difference between the purchase price or product cost of stocks and their replacement cost is not material. A net impairment of £18,000 (2020: impairment of £1,067,000) arose on obsolete stock.

15 Debtors	2021	2020
	£'000	£'000
Trade debtors	15,043	15,571
Amounts owed by Group undertakings	4,692	3,551
Amounts owed by parent company	70,223	53,561
Corporation tax repayable	3,481	4,431
Other taxes and social security	429	363
Prepayments	1,602	1,993
At 31 December	95,470	79,470

Amounts owed by group entities are unsecured and repayable on demand. Included within corporate tax repayable are amounts recoverable from group companies of £1,021,000 (2020: £795,000)

Included within amounts owed by parent company is cash held with the group treasury company £70,223,000 (2020: £53,561,000)

16 Creditors within one year	2021	2020
	£'000	£'000
Trade creditors	8,269	7,629
Amounts owed to Group undertakings	8,255	6,085
Accruals and deferred Income	1,712	942
At 31 December	18,236	14,656

Amounts owed to group entities are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

17	Creditors due after more than one year	2021	2020
		£'000	£'000
	Accruals and deferred income	<u>4,053</u>	<u>4,682</u>

18	Provision for Liabilities	Warranty	Contract losses	Other	Deferred tax	Total
		£'000	£'000	£'000	£'000	£'000
	As at 1st January 2021	17,855	967	2,080	4,010	24,912
	Additions for the period	6,984	150	456	1,185	8,775
	Utilised during the period	(480)	-	(1,103)	-	(1,583)
	Unutilised amounts released for the period	(5,600)	(334)	(553)	-	(6,487)
	At 31 December 2021	<u>18,759</u>	<u>783</u>	<u>880</u>	<u>5,195</u>	<u>25,617</u>

Warranty provisions arise in relation to customer warranties and costs to correct known production issues, these are expected to be utilised over 6 years. Contract loss provisions arise in relation to forecast losses on current contracts and are expected to be utilised over 1 year.

Other provisions relate to environmental restitutions and employee related obligations and are expected to be utilised within 1 year.

19 **Called up share capital**

Issued and fully paid – ordinary shares of £1 each	Number	£'000
At 31 December 2021 and 2020	<u>229,687,153</u>	<u>229,687</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

20 Reserves

A description of each reserve is set out below.

Share premium

This reserve relates to the excess value received above nominal value of shares issued.

Retained earnings

This reserve relates to the cumulative retained earnings and comprehensive income/loss less amounts distributed to shareholders.

21 Operating lease commitments

At the balance sheet date the company has lease agreements in respect of vehicles. The future minimum lease payments under non-cancellable leases are as follows:

	2021 £'000	2020 £'000
Due:		
Within one year	45	44
Within two to five years	46	70
After five years	-	-
At 31 December	91	114

22 Related party transactions

Safran Electrical & Power UK Ltd owns 60% of the share capital of Aerolec SAS, a joint venture company with Thales Avionics Electrical System SAS. All transactions are on the same basis as sales to third parties. The details of the transactions with this company are as follows:

	2021 £'000	2020 £'000
Sales for the year	2,797	7,605
Monies owed at 31 December included in trade debtors	1,169	1,002
Loans from Aerolec	803	863

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

22 Related party transactions (continued)

The Directors consider that as AEROLEC SAS is controlled jointly by Thales Avionics Electrical Systems SAS and Safran Electrical & Power UK Ltd in line with the joint venture agreement, it is treated as such within the accounts.

The company has taken the exemption available under FRS102 from disclosing related party transactions with entities that are part of the Safran Group.

Safran SA, a company registered in France, was the immediate and ultimate parent undertaking and controlling entity of Safran Electrical & Power UK Ltd during the period.

23 Contingent liabilities

As part of the company's ordinary activities, Safran Electrical & Power UK Ltd. may be subject to various claims from customers. These claims usually consist of compensation requests for late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the statutory performance warranties provisioned or included within contract costs. While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. The Directors have provided for known production issues where they believe there will be an expected economic outflow (see note 18). Where the economic outflow cannot be reliably estimated or is considered remote, no provision is made.

24 Capital commitments

	2021	2020
	£'000	£'000
Amounts contracted for but not provided in the financial statements	<u>1,119</u>	<u>607</u>

25 Subsequent events

There are no subsequent events to report.