

# Safran Engineering Services UK Limited

Registered number: 04842222

## Director's report and financial statements

For the year ended 31 December 2021

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# SAFRAN ENGINEERING SERVICES UK LIMITED

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## COMPANY INFORMATION

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|----------------------------|--|
| <b>Director</b>            | Cecile Dubrovin  |
| <b>Registered number</b>   | 04842222   |
| <b>Registered office</b>   | Cheltenham Road East<br>Gloucester<br>GL2 9QH<br>United Kingdom                                |
| <b>Independent auditor</b> | Ernst & Young LLP<br>400 Capability Green<br>Luton<br>LU1 3LU<br>United Kingdom                |
| <b>Tax Advisers</b>        | Smith & Williamson<br>Portwall Lane<br>Portwall Place<br>Bristol.<br>BS1 6NA<br>United Kingdom |

# SAFRAN ENGINEERING SERVICES UK LIMITED

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# **SAFRAN ENGINEERING SERVICES UK LIMITED**

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## **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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The Director presents his report and the financial statements for the year ended 31 December 2021.

### **Results for the year and dividends**

The profit for the year after taxation was £1,026,766 (2020: £244,166). No dividends were paid in 2021 (2020: £nil).

### **Principal activity and business review**

The principal activity of the company was the supply of engineering services for the design of components and systems for the aerospace and transportation industries.

### **Director**

The directors who served during the year and up to the date of signing the financial statements was:

Valentin Safir (resigned 30 June 2022)

Cecile Dubrovin (appointed 1 July 2022)

### **Subsequent events**

There are no significant events after the reporting date that would require disclosure in the financial statements.

### **Going concern**

The going concern position of the company has been considered and assessed:

At 31 December 2021, the company had net current assets of £1,148,799 (2020: £27,941). The Director has carried out a detailed review of cashflow forecasts covering 12 months from the approval of these financial statements which demonstrate that the company is expected to be cash generative for the foreseeable future and requires no external borrowings. The parent company Safran S.A. has also confirmed that it will support the company for a period of 12 months from the date the financial statements are signed should this be necessary. The Director has also assessed the ability of Safran S.A to support the company.

After making enquiries, the Director has 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.

## **SAFRAN ENGINEERING SERVICES UK LIMITED**

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### **DIRECTOR'S REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Disclosure of information to auditor**

The director at the time when this Director's report was approved has confirmed that:

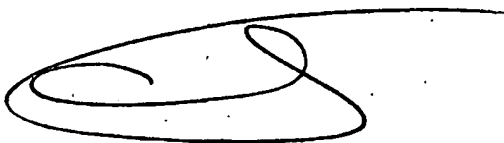
- so far as she is aware, there is no relevant audit information as defined by section 148 of the Companies Act of 2006 of which the company's auditors are unaware, and
- she has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **Auditors**

The auditors, Ernst & Young LLP, will be proposed for re-appointment in accordance with section 485 of the Companies Act of 2006.

In preparing this report, the director has taken advantage, as a qualifying entity, of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**Cecile DUBROVIN**

Director

Date: September 29, 2022

## **SAFRAN ENGINEERING SERVICES UK LIMITED**

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### **DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Director's responsibilities statement**

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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 director is 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 group and 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 director is 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. She is 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 director is also responsible for preparing a director's report, that complies with that law and those regulations. The director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFRAN ENGINEERING SERVICES UK LIMITED**

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### **Opinion**

We have audited the financial statements of Safran Engineering Services UK Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21, 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 profit 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 the provisions available for small entities 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director 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.

### **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 director is 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.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFRAN ENGINEERING SERVICES UK LIMITED**

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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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has 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 director's 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; and
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the director's report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the director's responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

### ***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

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFRAN ENGINEERING SERVICES UK LIMITED

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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 that the most significant to be those relating to United Kingdom Generally 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 the Company is complying with those frameworks by making enquiries of senior finance personnel and those charged with governance 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 considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and gained an understanding as to how those procedures and controls are implemented and monitored. We determined there to be a risk improper revenue recognition due to management override in relation to the posting of non-standard manual journals increasing revenue and incorrect revenue cut-off relating to project revenue. 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. To address the risk of incorrect revenue cut-off, we have vouched revenues to contracts and challenged assumptions used in budgets that drive the recognition of revenue and hence revenue cut-off.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. 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:

29 September 2022

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**SAFRAN ENGINEERING SERVICES UK LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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|   |      | 2021             | 2020           |
|---|------|------------------|----------------|
|   | Note | £                | £              |
| Turnover  | 4    | 5,074,722        | 4,044,257      |
| Cost of sales                                   |      | (3,527,462)      | (3,466,180)    |
| <b>Gross profit</b>                             |      | <b>1,547,260</b> | <b>578,077</b> |
| Other operating income                          | 5    | 286,141          | 395,603        |
| Administrative expenses                         |      | (552,474)        | (692,037)      |
| <b>Operating profit</b>                         | 6    | <b>1,280,927</b> | <b>281,643</b> |
| <b>Profit on ordinary activities before tax</b> |      | <b>1,280,927</b> | <b>281,643</b> |
| Tax on profit                                   | 9    | (254,161)        | (37,477)       |
| <b>Profit for the year</b>                      |      | <b>1,026,766</b> | <b>244,166</b> |
| <b>Total comprehensive income for the year</b>  |      | <b>1,026,766</b> | <b>244,166</b> |

The notes on pages 10 to 23 form part of these financial statements.

The results for the year and prior year reflect trading from continuing operations.

# SAFRAN ENGINEERING SERVICES UK LIMITED

Registered number: 04842222

## BALANCE SHEET AS AT 31 DECEMBER 2021

|  | Note | £                  | 2021<br>£        | £                  | 2020<br>£       |
|--|------|--------------------|------------------|--------------------|-----------------|
| <b>Fixed assets</b>                            |      |                    |                  |                    |                 |
| Tangible assets                                | 10   |                    | <u>8,514</u>     |                    | <u>5,792</u>    |
| <b>Current assets</b>                          |      |                    |                  |                    |                 |
| Debtors: amounts falling due within one year   | 11   | 1,727,061          |                  | 1,561,461          |                 |
| Cash at bank and in hand                       | 12   | <u>1,227,399</u>   |                  |                    |                 |
|  |      | 2,954,460          |                  | <u>1,561,461</u>   |                 |
| Creditors: amounts falling due within one year | 13   | <u>(1,805,661)</u> |                  | <u>(1,533,520)</u> |                 |
| <b>Net current assets / (liabilities)</b>      |      |                    | <u>1,148,799</u> |                    | <u>27,941</u>   |
| <b>Total assets less current liabilities</b>   |      |                    | <u>1,157,313</u> |                    | <u>33,733</u>   |
| <b>Provisions for liabilities</b>              | 14   |                    | <u>(151,814)</u> |                    | <u>(55,000)</u> |
| <b>Net assets/(liabilities)</b>                |      |                    | <u>1,005,499</u> |                    | <u>(21,267)</u> |
| <b>Capital and reserves</b>                    |      |                    |                  |                    |                 |
| Called up share capital                        | 15   |                    | 5,000            |                    | 5,000           |
| Profit and loss account                        | 16   |                    | <u>1,000,499</u> |                    | <u>(26,267)</u> |
| <b>Total equity shareholders' deficit</b>      |      |                    | <u>1,005,499</u> |                    | <u>(21,267)</u> |

The notes on pages 10 to 23 form part of these financial statements.

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006, relating to small companies.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
Cecile DUBROVIN

Director

Date:

September 29, 2022

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**SAFRAN ENGINEERING SERVICES UK LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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|  | Called up<br>share capital | Profit and<br>loss account | Total equity     |
|--|----------------------------|----------------------------|------------------|
|  | £                          | £                          | £                |
| At 1 January 2021                              | 5,000                      | (26,267)                   | (21,267)         |
| <b>Comprehensive income for the year</b>       |                            |                            |                  |
| Profit for the year                            | -                          | 1,026,766                  | 1,026,766        |
| <b>Other comprehensive income for the year</b> | -                          | -                          | -                |
| <b>Total comprehensive income for the year</b> | -                          | 1,000,499                  | 1,005,499        |
| <b>At 31 December 2021</b>                     | <b>5,000</b>               | <b>1,000,499</b>           | <b>1,005,499</b> |

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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|  | Called up<br>share capital | Profit and<br>loss account | Total equity    |
|--|----------------------------|----------------------------|-----------------|
|  | £                          | £                          | £               |
| At 1 January 2020                              | 5,000                      | (270,433)                  | (265,433)       |
| <b>Comprehensive income for the year</b>       |                            |                            |                 |
| Profit for the year                            | -                          | 244,166                    | 244,166         |
| <b>Other comprehensive income for the year</b> | -                          | -                          | -               |
| <b>Total comprehensive income for the year</b> | -                          | 244,166                    | 244,166         |
| <b>At 31 December 2020</b>                     | <b>5,000</b>               | <b>(26,267)</b>            | <b>(21,267)</b> |

The notes on pages 10 to 23 form part of these financial statements.

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# SAFRAN ENGINEERING SERVICES UK LIMITED

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

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### 1. General information

Safran Engineering Services UK Limited is a private company limited by shares, incorporated in England & Wales under the Companies Act of 2006. The registered office is Cheltenham Road East, Gloucester GL2 9QH, which is also the principal place of business.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

These financial statements comprising the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21 constitute the individual financial statements of Safran Engineering Services UK Limited for the financial year ended 31 December 2021.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the Companies Act 2006. The financial statements are prepared in sterling which is the functional and presentational currency of the primary economic environment in which the company operates and are rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3) which have all been applied consistently throughout the year and the preceding year.

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of section 4 statement of financial position paragraph 4.12(a)(iv);
- the requirements of section 7 statement of cash flows;
- the requirements of section 3 financial statement presentation paragraph 3.17(d);
- the requirements of section 11 financial instruments paragraphs 11.39 to 11.48A;
- the requirements of section 12 other financial instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of section 33 related party disclosures paragraph 33.7.

This information is included in the consolidated financial statements of SAFRAN SA as at 31 December 2021 and these financial statements are publicly available or may be obtained from 2 Boulevard du Général Martial Valin, 75724 PARIS Cedex 15, France.

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## SAFRAN ENGINEERING SERVICES UK LIMITED

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

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#### 2. Accounting policies (continued)

##### 2.3 Going concern

At 31 December 2021, the company had net current assets of £1,148,799 (2020: £27,941). The Director has carried out a detailed review of cashflow forecasts covering 12 months from the approval of these financial statements which demonstrate that the company is expected to be cash generative for the foreseeable future and requires no external borrowings. The parent company Safran S.A. has also confirmed that it will support the company for a period of 12 months from the date the financial statements are signed should this be necessary. The Director has also assessed the ability of Safran S.A to support the company.

After making enquiries, the Director has 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.

##### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Stage of completion is based on the completion of a proportion of the service contract.

##### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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## SAFRAN ENGINEERING SERVICES UK LIMITED

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

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#### 2. Accounting policies (continued)

##### 2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

|                           |                        |
|---------------------------|------------------------|
| S/Term Leasehold Property | - 20% straight line    |
| Fixtures & fittings       | - 20% straight line    |
| Office equipment          | - 33.33% straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

##### 2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans to/from related parties.

Debt instruments that are payable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

##### 2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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## **SAFRAN ENGINEERING SERVICES UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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

##### **2.10 Foreign currency translation**

###### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

##### **2.11 Finance costs**

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **2.12 Operating leases**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

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## **SAFRAN ENGINEERING SERVICES UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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

##### **2.13 Pensions**

###### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

##### **2.14 Interest income**

Interest income is recognised in the statement of comprehensive income using the effective interest method.

##### **2.15 Borrowing costs**

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

##### **2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

##### **2.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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## **SAFRAN ENGINEERING SERVICES UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

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

##### **2.17 Current and deferred taxation (continued)**

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **2.18 Research & development expenditure credits**

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.

#### **3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### **Income recognition**

There are judgements and estimation uncertainty attached to projects undertaken by the company where income is recognised on the stage of completion basis. Management use information from engineering employees to formulate the estimates used in the income recognition process.

##### **Late deliverables and quality rework provision**

A provision for late deliverables and quality rework in respect of projects completed has been made. The provision represented the Director's best estimate for future potential customer claims.

##### **Warranty provision**

A provision has been made for potential warranty claims in respect of completed projects which are within their warranty period. This provision has been reassessed based upon previous experience of warranty claims.

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**SAFRAN ENGINEERING SERVICES UK LIMITED**

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

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**4. Turnover**

An analysis of turnover by class of business is as follows:

|                      | 2021      | 2020      |
|----------------------|-----------|-----------|
|                      | £         | £         |
| Engineering Services | 5,074,722 | 4,044,257 |

All turnover arose within the United Kingdom.

**5. Other operating income**

Other operating income represents Research and Development Expenditure Credits (RDEC) of £283,934 (2020: £227,312) and amounts received under the Job Retention Scheme of £2,207 during the year (2020: £168,291).

**6. Operating profit**

The operating profit is stated after charging/(crediting):

|  | 2021      | 2020      |
|--|-----------|-----------|
|  | £         | £         |
| Depreciation of tangible fixed assets              | 3,793     | 15,819    |
| Exchange differences                               | 7,466     | (3,481)   |
| Other operating lease rentals – land and buildings | 10,000    | 31,950    |
| Other operating lease rentals – others             | 9,264     | 11,995    |
| Restructuring expenses                             | (5,824)   | 86,709    |
| Research and development expenditure               | 2,485,497 | 2,311,300 |

The company relocated its registered office in 2021, to an existing Safran site location. An internal cancellable agreement between both entities has been made to pay a nominal fee for office space allocated.

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**SAFRAN ENGINEERING SERVICES UK LIMITED**

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

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|                                  |             |             |
|----------------------------------|-------------|-------------|
| <b>7. Auditor's remuneration</b> | <b>2021</b> | <b>2020</b> |
|                                  | £           | £           |

Fees payable to the company's auditor for the audit of the company's annual accounts

|               |               |
|---------------|---------------|
| <u>14,628</u> | <u>13,000</u> |
|---------------|---------------|

**8. Employees**

Staff costs were as follows:

|                       |                  |                  |
|-----------------------|------------------|------------------|
|                       | <b>2021</b>      | <b>2020</b>      |
|                       | £                | £                |
| Wages and salaries    | 905,280          | 1,205,040        |
| Social security costs | 96,461           | 132,872          |
| Other pension costs   | 61,912           | 104,963          |
|                       | <u>1,063,653</u> | <u>1,442,875</u> |

**Director's remuneration**

The director is an employee of other group companies where she is remunerated for her employment; no substantial qualifying services are provided by the director to the company and it is not considered that the director received remuneration in the current period in her capacity as a director of the company (2020: £nil).

The average monthly number of employees, including the director, during the year was as follows:

|                    |             |             |
|--------------------|-------------|-------------|
| <b>By category</b> | <b>2021</b> | <b>2020</b> |
|                    | No.         | No.         |
| Engineering        | 18          | 26          |
| Administration     | 3           | 4           |
| <b>Total</b>       | <u>21</u>   | <u>30</u>   |

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**SAFRAN ENGINEERING SERVICES UK LIMITED**

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

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**9. Taxation**

|   | <b>2021</b>    | <b>2020</b>   |
|---|----------------|---------------|
|   | <b>£</b>       | <b>£</b>      |
| <b>Current Tax</b>                          |                |               |
| UK Corporation tax at 19.00% (2020 19.00%)  | 199,278        | 15,122        |
| Adjustments in respect of previous periods  | 54,883         | 22,355        |
| <b>Total current tax</b>                    | <b>254,161</b> | <b>37,477</b> |
| <b>Deferred tax</b>                         | -              | -             |
| <b>Total deferred tax</b>                   | -              | -             |
| <b>Tax on profit on ordinary activities</b> | <b>254,161</b> | <b>37,477</b> |

## SAFRAN ENGINEERING SERVICES UK LIMITED

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

#### 9. Taxation (continued)

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

The tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%). The differences are explained below:

|   | 2021<br>£      | 2020<br>£     |
|---|----------------|---------------|
| Profit on ordinary activities before tax  | 1,280,927      | 281,643       |
| Tax on profit on ordinary activities at standard rate of 19.00% (2020 – 19.00%) | 243,376        | 53,512        |
| Expenses not deductible for tax purposes  | 394            | 998           |
| Fixed asset differences   | 294            | -             |
| Other permanent differences   | -              | (692)         |
| R&D expenditure credits tax deducted  | (53,947)       | (43,189)      |
| Adjustments to tax charge in respect of previous periods                        | 54,883         | 22,355        |
| Deferred tax not recognized   | 9,161          | 4,494         |
| Other differences leading to an increase in the tax charge                      | -              | (1)           |
| <b>Total tax charge for the year</b>  | <b>254,161</b> | <b>37,477</b> |

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023, unrecognized deferred tax has been calculated on timing differences at 25% on the basis that the rate was substantively enacted at the balance sheet date.

A deferred tax asset of £54,616 (2020 - £32,347) has not been recognized due to uncertainty over future taxable profits. This relates to short term timing differences and capital allowances.

## SAFRAN ENGINEERING SERVICES UK LIMITED

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

#### 10. Tangible fixed assets

|                          | Fixtures & fittings | Office equipment | Total    |
|--------------------------|---------------------|------------------|----------|
|                          | £                   | £                | £        |
| <b>Cost or valuation</b> |                     |                  |          |
| At 1 January 2021        | 8,826               | 61,356           | 70,182   |
| Additions                | -                   | 6,515            | 6,515    |
| Disposals                | -                   | (12,260)         | (12,260) |
| At 31 December 2021      | 8,826               | 55,611           | 64,437   |
| <b>Depreciation</b>      |                     |                  |          |
| At 1 January 2021        | 8,826               | 55,564           | 64,390   |
| Charge for the period    | -                   | 3,793            | 3,793    |
| Disposals                | -                   | (12,260)         | (12,260) |
| At 31 December 2021      | 8,826               | 47,097           | 55,923   |
| <b>Net book value</b>    |                     |                  |          |
| At 31 December 2021      | -                   | 8,514            | 8,514    |
| At 31 December 2020      | -                   | 5,792            | 5,792    |

## SAFRAN ENGINEERING SERVICES UK LIMITED

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

| 11. Debtors                          | 2021             | 2020             |
|--------------------------------------|------------------|------------------|
|                                      | £                | £                |
| Trade Debtors                        | 72,471           | -                |
| Amounts owed by group undertakings   | 1,140,063        | 593,895          |
| Prepayments and accrued income       | 267,684          | 712,688          |
| Research and Development tax credits | 246,843          | 254,878          |
|                                      | <u>1,727,061</u> | <u>1,561,461</u> |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and repayable on demand.

| 12. Cash and cash equivalents | 2021      | 2020 |
|-------------------------------|-----------|------|
|                               | £         | £    |
| Cash at bank and in hand      | 1,227,399 | -    |

The balance is held in a group cash pooling facility managed by the parent company, Safran SA.

| 13. Creditors: Amounts falling due within one year | 2021             | 2020             |
|--|------------------|------------------|
|  | £                | £                |
| Trade Creditors                                    | 142,545          | 65,350           |
| Amounts owed to group undertakings                 | 331,774          | 426,255          |
| Bank overdraft                                     | -                | 57,043           |
| Corporation tax                                    | 199,278          | 37,477           |
| Other taxes and Social Security                    | 311,491          | 178,989          |
| Accruals and deferred income                       | 820,573          | 768,406          |
|  | <u>1,805,661</u> | <u>1,533,520</u> |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and repayable on demand.

The bank facility is held with the group cash pooling facility managed by the parent company, Safran SA.

# SAFRAN ENGINEERING SERVICES UK LIMITED

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

### 14. Provisions for liabilities

|   | Late deliverables<br>and quality<br>rework | Provision for<br>warranties | Total   |
|---|--|-----------------------------|---------|
|   | £  | £                           | £       |
| At 1 January 2021                                       | -  | 55,000                      | 55,000  |
| Debit/(credit) to the statement of comprehensive income | 151,814                                    | (55,000)                    | 96,814  |
| At 31 December 2021                                     | 151,814                                    | -                           | 151,814 |

#### Late deliverables and quality rework provision

The late delivery and quality rework provision represents the best estimate of the potential exposure on customer claims against work carried out.

#### Onerous contract

A total provision of £113,300 was taken during 2018 in respect of expected future losses on a contract that had become onerous during the year. The provision represented the Director's best estimate of the likely outcome of the contract at that point in time due to uncertainties on testing of the equipment to be provided under the contract. There was always a possibility that the assumptions used in this estimate would differ from the actual outcome. The contract was completed in 2020, a provision of £63,000 was released to the Statement of Comprehensive Income.

#### Warranty provision

A provision has been made for potential warranty claims in respect of completed projects which are within their warranty period. This provision has been reassessed based upon previous experience of warranty claims.

### 15. Share capital

#### Shares classified as equity

#### Authorised, allotted, called up and fully paid

|                                  | 2021  | 2020  |
|----------------------------------|-------|-------|
|                                  | £     | £     |
| 5,000 ordinary shares of £1 each | 5,000 | 5,000 |

The ordinary shares have a par value of £1 per share and are fully paid. These shares carry no right to fixed income or have any preferences or restrictions attached to them.

### 16. Reserves

#### Profit and Loss Account

The Profit and Loss Account is based on retained earnings earned since the inception of the company.

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## SAFRAN ENGINEERING SERVICES UK LIMITED

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

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#### 17. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents the contributions payable by the company to the fund and amounted to £ 61,912 (2020: £104,963). At the year end, £nil (2020: £nil) was due to the scheme.

#### 18. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases as follows:

|                          | Land & Buildings |          | Other         |               |
|--------------------------|------------------|----------|---------------|---------------|
|                          | 2021             | 2020     | 2021          | 2020          |
|                          | £                | £        | £             | £             |
| Due:                     |                  |          |               |               |
| Within one year          | -                | -        | 7,142         | 9,448         |
| Within two to five years | -                | -        | 3,235         | 7,783         |
|                          | <u>-</u>         | <u>-</u> | <u>10,377</u> | <u>17,231</u> |

The company has entered into commercial leases on other tangible assets. These leases have an average duration of between 2 and 5 years and contain varied terms specific to each lease, such as renewal options and reviews. There are no restrictions placed upon the lessee by entering into these leases.

#### 19. Related party transactions

As the company is a wholly owned subsidiary, the exemption has been taken not to disclose the transactions in the year with other group companies, as permitted by FRS 102 paragraph 33.1A, as all members involved are also wholly owned subsidiaries that are included within the ultimate parent's consolidated financial statements.

#### 20. Ultimate parent undertaking and controlling party

The immediate parent company is Safran Electrical & Power S.A, a company registered in France. The ultimate parent is SAFRAN SA, a group registered in France. Copies of the ultimate parent company's consolidated financial statements, which is the largest and smallest group accounts to include this company, may be obtained from their website or:

2 Boulevard du Général Martial Valin  
75724 PARIS Cedex 15  
France

#### 21. Subsequent events

There are no significant events after the reporting date that would require disclosure in the financial statements.