

Company Registration No. 02968071 (England and Wales)

FERRANTI TECHNOLOGIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

FERRANTI TECHNOLOGIES LIMITED

COMPANY INFORMATION

Directors Mr M C S J Fausset
Mr G Trevarthen
Mrs T Pollinger
Mr Y Shmuely
Mr A Raviv

Company number 02968071

Registered office Cairo House
Greenacres Road
Waterhead
Oldham
OL4 3JA

Auditor Edwards
34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

FERRANTI TECHNOLOGIES LIMITED

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FERRANTI TECHNOLOGIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Principal activities and review of the business

The principal activities of the company continue to be the design, development, manufacture and aftermarket support of a wide range of products and technologies for the aerospace and defence market, including:

- Power and Control Solutions
- Avionics and Mission Systems
- Helmet Mounted Systems
- Land Systems
- Training and Simulation

Key to the on-going success of the company is its ability to deliver innovative and bespoke products and services to help provide solutions to our key customers' needs for use in extreme environments and safety critical applications common in the aerospace and defence industries. This is delivered through Ferranti's own turnkey design, engineering and manufacturing capabilities as well as leveraging the links that exist through the larger Elbit Systems group.

Some of the key financial and other performance indicators are shown below:

	2019	2018
	£000	£000
Turnover	26,201	30,228
Operating profit/(loss)	1,317	(1,891)
Profit/(loss) after tax	1,166	(1,435)
Order book	64,454	44,651
	=====	=====

The directors report turnover of £26,201,000 (2018 – £30,228,000) and an operating profit of £1,317,000 (2018 – loss £1,891,000) for the year to 31 December 2019. The increase from 2018 is attributable to improved contract performance, efficiency savings and the completion of deliveries in early 2019 on a large problematic contract.

The closing order book stands at £64,454,000 (2018 – £44,651,000). The order book includes further contract wins in 2019 with the UK MoD, Bae and Rolls Royce. The new business orders won in 2019 were £46,004,000 (2018 – £16,959,000).

Despite the current constraints on the UK MoD budgets, there is still a very accessible large market with considerable opportunities for the company's products and services, which we are well placed to secure. As our products also cover the commercial aerospace market this gives us some diversification to offset any fluctuations in demand from defence customers, where we have secured long term agreements with some key customers.

FERRANTI TECHNOLOGIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

There is always the threat of Government budgetary cut backs in defence programmes and a cyclical downturn in commercial air travel and aircraft build rates. Although there are signs that some defence programmes may still be subject to cutback or delay, the overall UK market is still robust.

The aerospace market is however very competitive, and airlines are always under pressure to reduce costs. This may require customers to look towards low cost economies to find savings. We do however have some options to offer this within the wider Elbit Group to utilise their other subsidiaries in for example Romania and Brazil.

The company's position on a number of platforms covering the air, land and naval sectors also provides resilience in the event of a downturn in a single sector of the market, combined with the end customers' need to support older platforms for longer if new programmes are delayed. We can take advantage of this with our CLS (Customer Logistic Support) facilities.

The company has a number of contracts traded in Euro's and Dollars. It must be recognised that the instability of the pound could impact these contracts. The company manages foreign exchange risk using hedging techniques relevant to the size and duration of each contract in order to minimize where possible any exposure.

On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the company, the economy and the general population. We currently have an appropriate response plan in place and we will continue to monitor and assess the ongoing development and respond accordingly.

The company has considerable financial resources together with a number of long term contracts with various customers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors know of no reason to believe that any uncertainty exists that would cast any doubt over the ability of the group to continue as a going concern and therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the board

Mrs T Pollinger
Director
2 June 2020

FERRANTI TECHNOLOGIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Directors

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

Mr M C S J Fausset

Mr G Trevarthen

Mrs T Pollinger

Mr Y Shmueli

Mr A Raviv

Mr P R Owen

(Resigned 18 February 2019)

Mr O Reches

(Resigned 18 February 2019)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Market value of land and buildings

Although there have been no formal valuations carried out in the year for the company's land and buildings, the directors believe the market value to be in excess of book value.

Research and development

The group continues to invest in research and development to enhance our product base and capability, and in addition are being supported by our parent undertaking to invest in new products.

Auditor

The auditor, Edwards, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mrs T Pollinger

Director

2 June 2020

FERRANTI TECHNOLOGIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

FERRANTI TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FERRANTI TECHNOLOGIES LIMITED

Opinion

We have audited the financial statements of Ferranti Technologies Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, 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 state of the company's affairs as at 31 December 2019 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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

FERRANTI TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FERRANTI TECHNOLOGIES LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

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.

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

FERRANTI TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FERRANTI TECHNOLOGIES LIMITED

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.

Paul Tonks BSc (Econ) FCA (Senior Statutory Auditor)
for and on behalf of Edwards

3 June 2020

Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

FERRANTI TECHNOLOGIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Turnover	3	26,201	30,228
Cost of sales		(19,823)	(26,869)
Gross profit		6,378	3,359
Distribution costs		(135)	(217)
Administrative expenses		(4,926)	(5,035)
Other operating income		-	2
Operating profit/(loss)	4	1,317	(1,891)
Interest payable and similar expenses	7	(47)	(81)
Profit/(loss) before taxation		1,270	(1,972)
Tax on profit/(loss)	8	(104)	537
Profit/(loss) for the financial year		1,166	(1,435)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

FERRANTI TECHNOLOGIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets	9		7		7
Tangible assets	10		2,427		2,500
			<u>2,434</u>		<u>2,507</u>
Current assets					
Stocks	11	5,104		6,843	
Debtors	12	18,314		22,121	
Cash at bank and in hand		2,118		2,218	
		<u>25,536</u>		<u>31,182</u>	
Creditors: amounts falling due within one year	13	(9,662)		(16,929)	
Net current assets			<u>15,874</u>		<u>14,253</u>
Total assets less current liabilities			<u>18,308</u>		<u>16,760</u>
Provisions for liabilities	14		(556)		(174)
Net assets			<u>17,752</u>		<u>16,586</u>
Capital and reserves					
Called up share capital	15		1,000		1,000
Revaluation reserve			1,510		1,510
Profit and loss reserves			15,242		14,076
Total equity			<u>17,752</u>		<u>16,586</u>

The financial statements were approved by the board of directors and authorised for issue on 2 June 2020 and are signed on its behalf by:

Mrs T Pollinger
Director

Company Registration No. 02968071

FERRANTI TECHNOLOGIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£000	£000	£000	£000
Balance at 1 January 2018	1,000	1,510	15,511	18,021
Year ended 31 December 2018:				
Loss and total comprehensive income for the year	-	-	(1,435)	(1,435)
Balance at 31 December 2018	1,000	1,510	14,076	16,586
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	1,166	1,166
Balance at 31 December 2019	1,000	1,510	15,242	17,752

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Ferranti Technologies Limited is a private company limited by shares incorporated in England and Wales. The registered office is Cairo House, Greenacres Road, Waterhead, Oldham, OL4 3JA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000s.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Elbit Systems Limited. These consolidated financial statements are available from www.elbitsystems.com.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and services provided as a principal.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of services and long-term contracts are recognised when the outcome of the transaction can be reliably estimated. Turnover is recognised by reference to the stage of completion based on services performed to date as a percentage of the total contractual obligation.

Property income is recognised on an accruals basis on when risks and rewards are passed to the tenant.

1.4 Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

No amortisation is provided against trademarks.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% - 4% straight line
Plant and machinery	10% - 33% straight line
Fixtures, fittings and equipment	12.5% - 20% straight line
Computer equipment	20% - 33% straight line
Motor vehicles	15% - 20% straight line

No depreciation is provided on freehold land.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Land and buildings are carried at deemed cost which was assessed at the date of transition to FRS 102.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are 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 stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Long-term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represents turnover recognised in excess of payments on account.

Payments on account in excess of amounts matched with turnover and offset against long-term contract balances are separately disclosed within creditors.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Short term trade 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.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Warranty

Provision is made for the estimated future costs to be incurred on repairs to a number of contracts carried out.

Long-term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

3 Turnover and other revenue

Turnover is wholly attributable to the company's principal activity. Segmental analysis of turnover has not been given because the directors consider that such disclosure would be seriously prejudicial to the commercial interests of the company.

4 Operating profit/(loss)

	2019	2018
	£000	£000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange losses	163	138
Government grants	-	(2)
Fees payable to the company's auditor for the audit of the company's financial statements	25	25
Depreciation of owned tangible fixed assets	243	283
Cost of stocks recognised as an expense	17,044	23,850
Operating lease charges	68	77
	<u> </u>	<u> </u>

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Office and management	29	33
Production	80	85
Selling and distribution	6	5
	<u>115</u>	<u>123</u>

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	4,937	5,008
Social security costs	517	492
Pension costs	301	298
	<u>5,755</u>	<u>5,798</u>

6 Directors' remuneration

	2019 £000	2018 £000
Remuneration for qualifying services	123	254
Company pension contributions to defined contribution schemes	7	17
Compensation for loss of office	82	-
	<u>212</u>	<u>271</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £000	2018 £000
Remuneration for qualifying services	28	160
Company pension contributions to defined contribution schemes	1	11
Compensation for loss of office	82	-
	<u></u>	<u></u>

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Directors' remuneration

(Continued)

Some of the directors of the company are also directors of a number of companies within the group. These directors' emoluments have been borne by other group companies. The directors do not believe that it is practicable to apportion between their services as directors of the company and their services as directors of the other group companies.

7 Interest payable and similar expenses

	2019 £000	2018 £000
Other interest payable	47	81

8 Taxation

	2019 £000	2018 £000
Current tax		
UK corporation tax on profits for the current period	131	(400)
Adjustments in respect of prior periods	(27)	(132)
Total current tax	104	(532)
Deferred tax		
Origination and reversal of timing differences	-	(5)
Total tax charge/(credit)	104	(537)

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £000	2018 £000
Profit/(loss) before taxation	1,270	(1,972)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	241	(375)
Tax effect of expenses that are not deductible in determining taxable profit	2	17
Adjustments in respect of prior years	(27)	(132)
Depreciation in excess of capital allowances	10	15
Research and development tax credit	(122)	(57)
Deferred tax	-	(5)
Taxation charge/(credit) for the year	104	(537)

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Intangible fixed assets

**Trademarks
£000**

Cost

At 1 January 2019 and 31 December 2019

7

Amortisation and impairment

At 1 January 2019 and 31 December 2019

-

Carrying amount

At 31 December 2019

7

At 31 December 2018

7

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10	Tangible fixed assets	Freehold buildings	Plant and machinery	Fixtures, fittings and equipment	Computer equipment	Motor vehicles	Total
		£000	£000	£000	£000	£000	£000
Cost							
	At 1 January 2019	2,356	4,679	504	876	26	8,441
	Additions	-	143	16	15	-	174
	Disposals	-	(518)	-	(40)	(18)	(576)
	At 31 December 2019	2,356	4,304	520	851	8	8,039
Depreciation and impairment							
	At 1 January 2019	741	3,885	469	825	21	5,941
	Depreciation charged in the year	46	147	12	36	2	243
	Eliminated in respect of disposals	-	(516)	-	(40)	(16)	(572)
	At 31 December 2019	787	3,516	481	821	7	5,612
Carrying amount							
	At 31 December 2019	1,569	788	39	30	1	2,427
	At 31 December 2018	1,615	794	35	51	5	2,500

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Stocks

	2019 £000	2018 £000
Raw materials and consumables	4,835	5,500
Work in progress	269	1,343
	<u>5,104</u>	<u>6,843</u>

12 Debtors

	2019 £000	2018 £000
Trade debtors	6,062	7,709
Corporation tax recoverable	318	858
Amounts due from group and related undertakings	8,722	8,940
Amounts recoverable on contracts	2,732	4,497
Other debtors	2	42
Prepayments and accrued income	478	75
	<u>18,314</u>	<u>22,121</u>

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Payments received on account	770	2,326
Trade creditors	1,542	2,191
Amounts due to group and related undertakings	3,726	7,440
Other taxation and social security	735	639
Other creditors	74	46
Accruals and deferred income	2,815	4,287
	<u>9,662</u>	<u>16,929</u>

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Provisions for liabilities

	2019 £000	2018 £000
Contract provisions	556	174

Contract provisions £000

At 1 January 2019		174
Additional provisions in the year		878
Utilisation of provision		(496)
At 31 December 2019		556

15 Share capital

	2019 £000	2018 £000
Ordinary share capital		
Issued and fully paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

16 Retirement benefit schemes

	2019 £000	2018 £000
Defined contribution schemes		
Charge in respect of defined contribution schemes	301	298

The company operates a defined contribution pension scheme for all qualifying employees. The pension cost charge for the year represents contributions payable by the company to the scheme. Contributions of £44,000 (2018 - £45,000) were payable to the scheme at the year end and are included in creditors.

17 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £000	2018 £000
Within one year	47	59
Between two and five years	21	52
	68	111

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £000	2018 £000
Acquisition of tangible fixed assets	55	37

19 Related party transactions

The company has taken advantage of the exemption conferred within FRS102 section 33.1A not to disclose transactions between wholly owned members of the same group.

Affinity Flying Services Limited ("AFS") are a related party by virtue of their association with Elbit Systems UK Limited. During the year, the company recharged costs incurred on behalf of AFS, amounting to £317,000 (2018 - £621,000) and at 31 December 2019, included within debtors was £32,000 (2018 - £51,000) due to the company from AFS.

20 Ultimate controlling party

The company is a subsidiary undertaking of Elbit Systems Limited, a company incorporated in Israel, which is the ultimate parent undertaking and controlling party.

Elbit Systems Limited is the largest and smallest group for which group financial statements are prepared. The group financial statements of this group are available to the public and may be obtained from www.elbitsystems.com

The immediate parent undertaking is Ferranti Technologies (Holdings) Limited.

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