

Safran Engineering Services UK Limited

Registered number: 04842222

Director's report and financial statements

For the year ended 31 December 2023

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SAFRAN ENGINEERING SERVICES UK LIMITED

COMPANY INFORMATION

Director	Cecile Dubrovin
Registered number	04842222
Registered office	Cheltenham Road East Gloucester GL2 9QH United Kingdom
Independent auditor	Ernst & Young LLP 400 Capability Green Luton LU1 3LU United Kingdom

SAFRAN ENGINEERING SERVICES UK LIMITED

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SAFRAN ENGINEERING SERVICES UK LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Director presents his report and the financial statements for the year ended 31 December 2023.

Results for the year and dividends

The profit for the year after taxation was £513,842 (2022: £703,247). No dividends were paid in 2023 (2022: £900,000).

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 director who served during the year and up to the date of signing the financial statements was:
Cecile Dubrovin (appointed 1 July 2022).

Directors' indemnity

Directors and Officers of the Company benefit from directors' and officers' liability insurance cover provided by the Safran Group in respect of legal actions brought against them for any of the directorships held within the Safran Group.

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 2023, the company had net current assets of £1,400,726 (2022: £906,127). The Director has carried out detailed reviews of cashflow forecasts covering a period of 12 months from the date of approval of the financial statements which demonstrate that the company will continue to trade profitably and requires no external borrowings. The forecasts are based upon continued support of the existing Safran businesses. The company continues to pursue the strategy to expand into non Safran-business, in particular Space, Defence and Rail to help balance the portfolio and provide continued growth.

The risks to the business are limited due to the nature of the services provided. The company does not suffer from the current supply chain issues common within the industry, since the business provides labour and services and not material products. Retention of key employees and attracting new employees is key to the success of our strategic plans. The company continues to work with new tools and methods for attracting young talent into the business from UK and abroad and has been able to support the additional visa costs enforced by the UK government. The balance of contractors and permanent staff is supporting the current growth whilst enabling the business to remain agile in case of future headwinds.

SAFRAN ENGINEERING SERVICES UK LIMITED

DIRECTOR'S REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

The company has a cash pooling arrangement whereby the cash is swept to a group cash pooling facility at the end of each day with the parent company Safran SA. In support, and in the event that liabilities were unable to be funded by the company, the ultimate parent company Safran SA has issued a letter of support to provide any financial support necessary to meet its liabilities covering a period of 12 months from the date of approval of the financial statements which is when the situation will be reviewed again. The Director, having reviewed the parent company's latest 2024 interim financial report has concluded that Safran SA is in a strong financial position with significant liquid assets available, and is therefore satisfied that the parent company has adequate resources to provide any support to the company, if required.

The Director has reasonable expectation that the company has adequate resources to continue in operational existence for a period covering a period 12 months from the date the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 not be re-appointed and will be replaced by Hazlewoods LLP 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:

DUBROVIN

Cecile (SAFRAN
ENGINEERING
SERVICES)

Signature numérique
de DUBROVIN Cecile
(SAFRAN
ENGINEERING
SERVICES)
Date : 2024.12.04
16:04:42 +01'00'

SAFRAN ENGINEERING SERVICES UK LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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.

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

Opinion

We have audited the financial statements of Safran Engineering Services UK Limited for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, 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 2023 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.

We have nothing to report in this regard.

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

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 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.

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

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 incorrect revenue cut-off journals to overstate project revenue. 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

Daniel Foster (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date: 4 December 2024

SAFRAN ENGINEERING SERVICES UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2023	2022
	Note	£	£
Turnover	4	7,275,856	5,610,599
Cost of sales		(5,915,426)	(4,353,960)
Gross profit		1,360,430	1,256,639
Other operating income	5	332,979	346,097
Administrative expenses		(966,821)	(747,554)
Operating profit	6	726,538	855,182
Interest income	7	24,304	3,288
Profit on ordinary activities before tax		750,842	858,470
Tax on profit	10	(237,000)	(155,223)
Profit for the year		513,842	703,247
Total comprehensive income for the year		513,842	703,247

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 2023**

	Note	£	2023 £	£	2022 £
Fixed assets					
Tangible assets	11		48,602		30,767
Current assets					
Debtors: amounts falling due within one year	12	4,255,195		3,091,146	
		4,255,195		3,091,146	
Creditors: amounts falling due within one year	13	(2,854,469)		(2,185,019)	
Net current assets / (liabilities)			1,400,726		906,127
Total assets less current liabilities			1,449,328		936,894
Provisions for liabilities	14		(126,740)		(128,148)
Net assets/(liabilities)			1,322,588		808,746
Capital and reserves					
Called up share capital	15		5,000		5,000
Profit and loss account	16		1,317,588		803,746
Shareholder's equity			1,322,588		808,746

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:

DUBROVIN
Cecile
(SAFRAN
ENGINEERING
SERVICES)

Signature numérique
de DUBROVIN Cecile
(SAFRAN
ENGINEERING
SERVICES)
Date : 2024.12.04
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SAFRAN ENGINEERING SERVICES UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2023	5,000	803,746	808,746
Comprehensive income for the year			
Profit for the year	-	513,842	513,842
Dividend payment	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,317,588	1,322,588
At 31 December 2023	5,000	1,317,588	1,322,588

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2022	5,000	1,000,499	1,005,499
Comprehensive income for the year			
Profit for the year	-	703,247	703,247
Dividend payment	-	(900,000)	(900,000)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(196,753)	(196,753)
At 31 December 2022	5,000	803,746	808,746

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

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 20 constitute the individual financial statements of Safran Engineering Services UK Limited for the financial year ended 31 December 2023.

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 2023 and these financial statements are publicly available or may be obtained from 2 Boulevard du Général Martial Valin, 75724 PARIS Cedex 15, France.

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.3 Going concern

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

At 31 December 2023, the company had net current assets of £1,400,726 (2022: £906,127). The Director has carried out detailed reviews of cashflow forecasts covering a period of 12 months from the date of approval of the financial statements which demonstrate that the company will continue to trade profitably and requires no external borrowings. The forecasts are based upon continued support of the existing Safran businesses. The company continue to pursue the strategy to expand into space and defence to help balance the portfolio and provide continued growth.

The risks to the business are limited due to the nature of the services provided. The company does not suffer from the current supply chain issues common within the industry, since the business provides labour and services and not material products. The company continues to work with new tools and methods for attracting young talent into the business from UK and abroad. The balance of contractors and permanent employees is supporting the current growth whilst enabling the business to remain agile in case of future headwinds.

The company has a cash pooling arrangement whereby the cash is swept to a group cash pooling facility at the end of each day with the parent company Safran SA. In support, and in the event that liabilities were unable to be funded by the company, the ultimate parent company Safran SA has issued a letter of support to provide any financial support necessary to meet its liabilities covering a period a period of 12 months from the date of approval of the financial statements which when the situation will be reviewed again. The Director, having reviewed the parent company's latest 2023 interim financial report has concluded that Safran SA is in a strong financial position with significant liquid assets available, and is therefore satisfied that the parent company has adequate resources to provide any support to the company, if required.

The Director has reasonable expectation that the company has adequate resources to continue in operational existence for a period covering a period of 12 months from the date the financial statements are signed. 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.

SAFRAN ENGINEERING SERVICES UK LIMITED

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.

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.

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

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.

2.10 Foreign currency translation

Transactions and balances

Foreign currency transactions are mainly translated into the functional currency using the hedge 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.

Any foreign exchange gains and losses resulting from the settlement of transactions at cost 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.

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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.

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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

Income and revenue streams consist of time and material and work units whereby revenue is recognized at a point in time when costs are incurred due to the short term nature of contracts. Longer term contracts are assessed through percentage of completion and earned value. Some contracts that cross over the month or year end are assessed based on the percentage of completion and earned value.

Quality rework provision

A provision for quality rework in respect of projects completed has been made. Quality rework provisions are assessed against the percentage of rejected deliverables. Continuous improvement to reduce these provisions are ongoing and include improved tools and processes, root cause analysis and investment in training of employees. The provision represented the Director's best estimate for future potential customer claims.

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

4. Turnover

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

	2023	2022
	£	£
Engineering Services	7,275,856	5,610,599

All turnover arose within the United Kingdom.

5. Other operating income

Other operating income represents Research and Development Expenditure Credits (RDEC) of £332,929 (2022: £346,097).

6. Operating profit

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

	2023	2022
	£	£
Depreciation of tangible fixed assets	15,035	8,378
Exchange differences	41,518	18,691
Other operating lease rentals – land and buildings	10,400	10,000
Other operating lease rentals – others	8,475	5,293

7. Interest income

Interest was applied by the Safran Group against the cash pooling facility of £24,304 (2022 £3,287).

SAFRAN ENGINEERING SERVICES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. Auditor's remuneration	2023	2022
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	22,376	19,932
	<hr/>	<hr/>
9. Employees		
Staff costs were as follows:	2023	2022
	£	£
Wages and salaries	1,746,455	1,049,568
Social security costs	190,562	115,929
Pension costs	101,940	69,107
	<hr/>	<hr/>
	2,038,957	1,234,604
	<hr/>	<hr/>

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 (2022: £nil).

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

By category	2023	2022
	No.	No.
Engineering	28	20
Administration	5	3
	<hr/>	<hr/>
Total	33	23
	<hr/>	<hr/>

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

10. Taxation

	2023	2022
	£	£
Current Tax		
UK Corporation tax at 25.00% (2022: 19.00%)	178,979	88,355
Adjustments in respect of previous periods	58,021	66,868
Total current tax	<u>237,000</u>	<u>155,223</u>
Deferred tax	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>237,000</u>	<u>155,223</u>

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher (2022: lower) than the standard average rate of corporation tax in the UK of 23.52% (2022 – 19.00%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	750,842	858,470
Tax on profit on ordinary activities at standard rate of 23.52% (2022 – 19.00%)	176,598	163,109
Expenses not deductible for tax purposes	2,922	1,862
Temporary differences	-	(1,746)
Fixed asset differences	(113)	-
R&D expenditure credits tax deducted	-	(65,758)
Adjustments to tax charge in respect of previous periods	58,021	66,868
Deferred tax not recognized	(428)	(9,111)
Other differences leading to an increase in the tax charge	-	(1)
Total tax charge for the year	237,000	155,223

A deferred tax asset of £42,334 (2022- £42,627) has not been recognized due to uncertainty over future taxable profits. This relates to short term timing differences and capital allowances. Unrecognised deferred tax has been calculated at 25%.

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The full anticipated effect of these changes is reflected in the above unprovided deferred tax asset.

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

11. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2023	20,271	74,796	95,067
Additions		32,870	32,870
Disposals	-	-	
At 31 December 2023	20,271	107,666	127,937
Depreciation			
At 1 January 2023	9,970	54,330	64,300
Charge for the period	2,289	12,746	15,035
Disposals	-	-	-
At 31 December 2023	12,259	67,076	79,335
Net book value			
At 31 December 2023	8,012	40,590	48,602
At 31 December 2022	10,301	20,466	30,767

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

12. Debtors	2023 £	2022 £
Trade Debtors	319,195	130,535
Amounts owed by group undertakings	3,559,490	2,045,824
Prepayments and accrued income	85,342	539,952
Research and Development tax credits	291,168	374,835
	<u>4,255,195</u>	<u>3,091,146</u>

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

13. Creditors: Amounts falling due within one year	2023 £	2022 £
Trade Creditors	153,472	93,168
Amounts owed to group undertakings	1,620,355	648,818
Corporation tax	325,355	354,502
Other taxes and Social Security	454,651	363,442
Accruals and deferred income	300,636	725,089
	<u>2,854,469</u>	<u>2,185,019</u>

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

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

14. Provisions for liabilities

	Quality rework	Total
	£	£
At 1 January 2023	128,148	128,148
Additions during period	66,227	66,227
Unused amounts reversed during period	(67,635)	(67,635)
At 31 December 2023	<u>126,740</u>	<u>126,740</u>

Quality rework provision

A provision for quality rework in respect of projects completed has been made. Quality rework provisions are assessed against the percentage of rejected deliverables. Continuous improvement to reduce these provisions are ongoing and include improved tools and processes, root cause analysis and investment in training of employees. The provision represented the Director's best estimate for future potential customer claims.

15. Share capital

Shares classified as equity

Authorised, allotted, called up and fully paid

	2023	2022
	£	£
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

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.

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 £101,940 (2022: £69,107). At the year end, £nil (2022: £nil) was due to the scheme.

SAFRAN ENGINEERING SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

18. Commitments under operating leases

At 31 December 2023 the company had future minimum lease payments due under non-cancellable operating leases as follows:

	Land & Buildings		Other	
	2023	2022	2023	2022
	£	£	£	£
Due:				
Within one year		-	26,710	2,014
Within two to five years		-	-	-
		-	26,710	2,014

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.