

SELEX ES INTERNATIONAL LTD

Company registration no. 964491

Annual report and financial statements

Year ended

31 December 2021

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SELEX ES INTERNATIONAL LTD

Annual report and financial statements for the year ended 31 December 2021

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Directors

M Buratti
V Tomaselli
M R Lenton

Registered office

Sigma House
Christopher Martin Road
Basildon
Essex SS14 3EL

Independent auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

SELEX ES INTERNATIONAL LTD

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Principal activities and business review

The principal activity of the company is that of an investment holding company, which the company carried on throughout the financial year. The company expects to continue operating in this manner.

Results

The company's profit after taxation for the financial year was £494,000 (2020: £351,000).

Dividends

The directors do not recommend the payment of a dividend to the parent company Leonardo S.p.A (2020: £nil).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to the following risk.

Liquidity risk

The company currently has minimal activity and has a receivable of £41,855,000 with its parent company Leonardo SpA. The liquidity risk is considered to be minimal.

Going concern

Accounting standards require that the directors satisfy themselves that it is reasonable for them to conclude it is appropriate to prepare financial statements on a going concern basis.

The board of directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

A key assumption in these conclusions is access to funds that have been pooled with Leonardo SpA, the ultimate parent company. The majority of the cash generated in the Company is pooled in a Group wide pooling arrangement. The directors have assessed the pooling documentation and confirmed the Company has the right to access the pooled funds when required. The directors have also considered the financial position of the Group, including the Group's results announced on 29 July 2022 for the six months ended 30 June 2022 and any material events subsequent to this date, and concluded that the ultimate parent company has sufficient liquidity to provide the Company with its pooled funds if required.

SELEX ES INTERNATIONAL LTD

Directors' report (*continued*)

Directors

The directors of the company who served during the year were:

M Buratti
M W J Clayforth-Carr (resigned 23 June 2021)
V Tomaselli
M R Lenton (appointed 23 June 2021)

Political donations

No political donations were made in the year (2020: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' indemnities

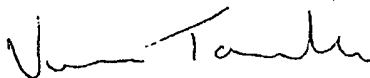
The company maintains liability insurance for its directors and officers. Following shareholder approval in July 2005, the company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst and Young LLP will therefore continue in office.

On behalf of the Board

V Tomaselli
Director



29th September 2022

Registered Office: Sigma House
Christopher Martin Road
Basildon
Essex SS14 3EL

Registered number: 964491

SELEX ES INTERNATIONAL LTD

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

*Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.*

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

SELEX ES INTERNATIONAL LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELEX ES INTERNATIONAL LTD

Opinion

We have audited the financial statements of Selex ES International Ltd for the year ended 31 December 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 13, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

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

SELEX ES INTERNATIONAL LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELEX ES INTERNATIONAL LTD (continued)

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 4, 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.

SELEX ES INTERNATIONAL LTD**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELEX ES INTERNATIONAL LTD
(continued)*****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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework, applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and the relevant UK tax compliance regulations, principally relating to those issued by HMRC.
- We understood how the company is complying with those frameworks by making enquiries of those charged with governance and management, including those responsible for legal and compliance matters. We corroborated our enquiries through reading board minutes and by understanding the entity level controls implemented by those charged with governance.
- 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 to be susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the programmes and controls that those charged with governance have established to address the risks identified, or that otherwise prevent, deter or detect fraud and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included enquiries of those charged with governance, management and legal counsel; and journal entry testing with a focus on manual journals and unusual transactions based on our understanding the business.

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.

DocuSigned by:

Ernst & Young LLP

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JI Gordon (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

29 September 2022

SELEX ES INTERNATIONAL LTD**Profit and loss account for the year ended 31 December 2021**

	Note	2021 £'000	2020 £'000
Administrative expenses		(67)	(1)
Operating loss		<u>(67)</u>	<u>(1)</u>
Interest receivable and similar income	3	490	467
Interest payable and similar income	4	(7)	(93)
Profit before tax		<u>550</u>	<u>373</u>
Tax on profit	6	(56)	(22)
Profit for the financial year		<u>494</u>	<u>351</u>

The statement of profit or loss has been prepared on the basis that all operations are continuing operations.

The profit for the financial year is attributable to the owners of the parent company.

There are no items of other comprehensive income (2020: £nil) and accordingly no separate statement of other comprehensive income has been prepared.

The notes on pages 10 to 20 form part of these financial statements.

SELEX ES INTERNATIONAL LTD**Balance sheet as at 31 December 2021**

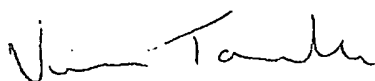
	Note	2021 £'000	2020 £'000
Fixed assets			
Investments – share in group undertakings	7	<u>6,019</u>	<u>6019</u>
Current assets			
Debtors: amounts falling due within one year	8	42,041	43,471
Cash and cash equivalents	9	1,430	1,052
		<u>43,471</u>	<u>44,523</u>
Creditors amounts falling due within one year	10	(237)	(1,783)
		<u>(237)</u>	<u>(1,783)</u>
Net current assets		<u>43,234</u>	<u>42,740</u>
Total assets less current liabilities		49,253	48,659
Net assets		<u>49,253</u>	<u>48,759</u>
Capital and reserves			
Share capital	11	-	-
Profit and loss account		49,253	48,759
Shareholders' funds		<u>49,253</u>	<u>48,759</u>

The notes on pages 10 to 20 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 29th September 2022.

On behalf of the Board

V Tomaselli
Director



Company registered number 964491

SELEX ES INTERNATIONAL LTD**Statement of changes in equity for the year ended 31 December 2021**

	Share Capital	Profit and loss account	Shareholders' funds
	£'000	£'000	£'000
At 1 January 2020	-	48,408	48,408
Profit for the year	-	351	351
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	48,759	48,759
Profit for the year	-	494	494
	<hr/>	<hr/>	<hr/>
At 31 December 2021	-	49,253	49,253

The notes on pages 10 to 20 form part of these financial statements.

SELEX ES INTERNATIONAL LTD

Notes to the financial statements

1 Accounting policies

1.1 Introduction

Selex ES International Ltd ("the company") is a private limited company incorporated, domiciled and registered in England in the United Kingdom. The registered number is 964491 and the registered address is Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL.

The company is a wholly owned subsidiary of Leonardo S.p.A., a company incorporated in Italy.

1.2 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 1 Comparative information in respect of the reconciliation of investments, share capital data and disclosure in respect of capital management;
- IAS 7 Cash flow statement and related notes;
- IAS 8 The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Leonardo S.p.A include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The preparation of the financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of the financial statements and the reported amounts of the revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared under the historical cost convention.

SELEX ES INTERNATIONAL LTD

Notes to the financial statements (*Continued*)

1 Accounting policies (*continued*)

A summary of the significant accounting policies followed by the company is shown below. The policies have been consistently applied to all periods presented unless otherwise stated.

1.3 *Going concern*

Accounting standards require that the directors satisfy themselves that it is reasonable for them to conclude it is appropriate to prepare financial statements on a going concern basis.

The board of directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

A key assumption in these conclusions is access to funds that have been pooled with Leonardo SpA, the ultimate parent company. The majority of the cash generated in the Company is pooled in a Group wide pooling arrangement. The directors have assessed the pooling documentation and confirmed the Company has the right to access the pooled funds when required. The directors have also considered the financial position of the Group, including the Group's results announced on 29 July 2022 for the six months ended 30 June 2022 and any material events subsequent to this date, and concluded that the ultimate parent company has sufficient liquidity to provide the Company with its pooled funds if required.

1.4 *Financial instruments*

(i) Recognition and initial measurement

Trade receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value to other comprehensive income (FVOCI) – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

SELEX ES INTERNATIONAL LTD

Notes to the financial statements (*Continued*)

1 Accounting policies (*continued*)

1.4 Financial instruments (*continued*)

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in associates and subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

SELEX ES INTERNATIONAL LTD

Notes to the financial statements (*Continued*)

1 Accounting policies (*continued*)

1.4 Financial instruments (*continued*)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

SELEX ES INTERNATIONAL LTD

Notes to the financial statements (*Continued*)

1 Accounting policies (*continued*)

1.4 Financial instruments (*continued*)

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
- The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairments

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Taxation

The charge for taxation is based on the profit for the year and takes account of current and deferred income tax. Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement or other comprehensive income. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for (a) if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or (b) in respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets and liabilities are measured on an undiscounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

SELEX ES INTERNATIONAL LTD**Notes to the financial statements (*Continued*)****1 Accounting policies (*continued*)***Investment income*

Dividends are recognised as soon as the company obtains the right to receive payment

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the statement of profit or loss.

Turnover

Turnover represents sales of services net of VAT at the date of sale.

2 Directors and employees

The company did not have any employees in the current or prior year. No director received remuneration for their services during the year (2020: £nil).

3 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable on intercompany loans	64	169
Revaluation of foreign currency assets and liabilities	15	40
Dividends from subsidiaries	411	258
	<u>490</u>	<u>467</u>

4 Interest payable and similar expenses

	2021 £'000	2020 £'000
Bank interest payable	7	-
Other interest payable	-	1
Revaluation of foreign currency assets and liabilities	-	92
	<u>7</u>	<u>93</u>

5 Auditor's remuneration

The auditor's remuneration of £11,000 (2020: £10,000) was borne by Leonardo UK Ltd.

SELEX ES INTERNATIONAL LTD**Notes to the financial statements (Continued)****6 Taxation on profit**

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax on profit for the year	26	22
Adjustments in respect of previous years	30	-
	<hr/>	<hr/>
Current tax charge for the year	56	22
	<hr/>	<hr/>

Reconciliation of current tax charge for the year:

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the company as follows:

	2021	2020
	£'000	£'000
Profit before taxation	550	373
	<hr/>	<hr/>
Profit before taxation at the standard rate of Corporation tax in the UK at 19% (2020: 19%)	104	71
Non-taxable income - dividends from subsidiaries	(78)	(49)
Prior year adjustments	30	-
	<hr/>	<hr/>
Current tax charge for the year	56	22
	<hr/>	<hr/>

In the March 2021 budget, it was announced that the UK tax rate would increase to 25% from 1 April 2023. On 23 September 2022, the Chancellor announced the increase in the corporation tax rate to 25% would be reversed with the rate remaining at 19%.

SELEX ES INTERNATIONAL LTD**Notes to the financial statements (Continued)****7 Investments****£'000****At 1 January and 31 December 2021****6,019**

The following investments in group undertakings were held at the end of the year:

Name and address	Country of incorporation	Ownership 2021	Nature of business
Leonardo Germany GmbH (was Selex ES GmbH), Raiffeisenstrasse n.10, 41470 Neuss, Rosellen	Germany	10.1%	Communications and systems integration
Leonardo Turkey Havacilik Savunma Ve Guvenlik Sistemleri AS (was Selex ES Elektronik Turkey AS), Konya Yolu 25km, 06830 Golbasi, Ankara	Turkey	0.0014%	Communications
Advanced Air Traffic Systems Sdn Bhd, No. 8 Jalan Pengacara U1/48, Temasya Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan	Malaysia	30%	Air Traffic Control Logistic support
Leonardo Belgium SA (was Agusta Aerospace Services SA), Aéroport de Liège 60, 4460 Grâce-Hollogne, Belgium	Belgium	1%	Customer services
Leonardo do Brasil Ltda (was Agusta Westland do Brasil Ltda & Selex ES do Brasil Ltda), Osasco, Estado de São Paulo, na Rua René Tadeu Lopes, no. 100, Industrial Anhanguera, CEP 06276-015	Brazil	1%	Systems solutions and customer services
Leonardo Romania Aerospace, Defence & Security SA Soseaua Ploiesti – Târgoviște Km. 8, Ploiesti, Prahova, Romania	Romania	0.0001%	
WIN Bluewater Services Pvt Ltd (liquidation in progress due to complete 30.06.2020) 202 A, Second Floor, Eros Corporate Towers, Nehru Place, New Delhi – 110019, India	India	0.00012%	

SELEX ES INTERNATIONAL LTD**Notes to the financial statements (Continued)****8 Debtors**

	2021	2020
	£'000	£'000
Amounts owed by parent company	41,855	43,218
Amounts owed by fellow subsidiaries	186	219
Current tax receivable	-	34
	42,041	43,471

These financial assets have been categorised as loans and receivables. The amounts are held at cost and this approximates to fair value.

Interest on amounts owed by parent and fellow subsidiary undertakings are at variable rates based on LIBOR. The average rate for the year was 0.15% (2020: 0.44%) on Sterling denominated loans, 0% (2020: 0%) on Euro denominated loans and 0% (2020: 0%) on other currency denominated loans.

9 Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash and cash equivalents	1,430	1,052

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity date of three months or less. The carrying amount of these assets is their fair value.

10 Creditors: amounts due within one year

	2021	2020
	£'000	£'000
Amounts owed to parent company	149	1,779
Amounts owed to fellow subsidiary undertakings	664	-
Current tax liabilities	18	-
	237	1,783

Interest on amounts owed to parent and fellow subsidiary undertakings are unsecured and at variable rates based on ECB rates. The average rate for the year was 0% (2020: 0%) on Euro denominated loans and 0% on Sterling denominated loans (2020: 0%).

SELEX ES INTERNATIONAL LTD**Notes to the financial statements (Continued)****11 Share capital**

	2021 £'000	2020 £'000
<i>Authorised:</i>		
100 (2020: 100) ordinary shares of £1 each	-	-
	<hr/>	<hr/>
<i>Allotted:</i>		
100 (2020: 100) ordinary shares of £1 each, called up and fully paid	-	-
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

12 Related party transactions

During the year, the company entered into transactions with its parent undertaking, Leonardo Spa, at the balance sheet date as well as fellow subsidiaries and other group undertakings. These transactions were in the normal course of business on an arms-length basis. The aggregate value of these transactions in the year was as follows:

	2021 £'000	2020 £'000
With parent company		
Purchases of services	(67)	1
Net interest receivable	63	133
With other group companies		
Net interest receivable	-	36

At 31 December, the aggregate amounts due from/to Leonardo Spa and its subsidiaries were:

	2021 £'000	2020 £'000
Included within debtors (note 8)		
Leonardo Spa	41,855	43,218
Other group companies	186	219
	<hr/>	<hr/>
	42,041	43,437
	<hr/>	<hr/>
Included within creditors (note 10)		
Leonardo Spa	149	1,779
Other group companies	70	4
	<hr/>	<hr/>
	219	1,783
	<hr/>	<hr/>

SELEX ES INTERNATIONAL LTD

Notes to the financial statements (*Continued*)

13 Parent undertaking

The immediate parent company, ultimate parent company and controlling party is Leonardo Spa, which is incorporated in Italy, and is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of their financial statements may be obtained from Piazza Montegrappa 4, 00195 Rome, Italy.