Company Registration No. 3548809

Safran Landing Systems UK Limited

Report and Financial Statements

31 December 2021

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STRATEGIC REPORT

The directors present the strategic report for Safran Landing Systems UK Limited for the year ended 31 December 2021.

Principal activities

The company's principal activities during the year continued to be the design, manufacture and product support of aircraft landing gear for civil and military aircraft.

Review of the business

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

	2021	2020	Change
	£m	£m	%
Turnover	414.5	597.8	(30.7%)
Operating profit	67.0	70.5	(5.0%)
Profit after tax	53.4	56.6	(5.7%)
Equity shareholders' funds	181.9	181.0	0.5%
Average number of employees	742	857	(13.4%)

During 2021 the Company was still impacted by the significant reduction in global air traffic caused by the global COVID19 pandemic and this resulted in a reduction in turnover of 30.7%. The main impact was on the Original Equipment (OE) sales which decreased by 37.8%. Aftermarket sales remained at a similar level to 2020 increasing by only 2.3%. In response to the reduced volumes the company implemented a restructuring programme in order to reduce costs and resize the business in line with the lower level of activity.

Operating profit decreased by 5% during the year. The decrease in profit can be mainly attributed to reduced turnover. Operational costs were rescaled in line with the reduced volumes and our general expenses were significantly reduced. The company also continued to utilise the measures put in place by the UK government including the job retention scheme and deferral of VAT payments.

During the year the company continued to ensure that the site remained a COVID19 secure site. Those employees who were unable to work remotely were able to work on site safely and business operations were maintained effectively throughout 2021. The company continues to operate this way today, updating COVID19 protection measures in line with latest guidance from the UK Government and Group.

The company recorded a profit after tax of £53.4m in 2021 compared to a profit of £56.6m in 2020. A dividend of £56.6m was paid in 2021 (2020: £89.6m).

The statement of financial position on page 16 of the financial statements shows the company's financial position at the year end. Debtors falling due within one year decreased from £101.4m to £72.2m, mainly due to a reduction in amounts owed from group undertakings. Creditors falling due within one year decreased from £80.5m to £66.7m mainly because of a reduction in corporation tax payable and trade creditors.

In 2021 the pension scheme asset increased from £25.4m to £37.5m. This was mainly due to a reduction in the defined benefit obligation. Full details are given in note 15 to the financial statements

Shareholders' funds increased by 0.5% in the year due to retained profits net of other recognised gains and losses. 2020 retained profits of £56.6m were paid out in full as dividends in 2021.

STRATEGIC REPORT (continued)

Environmental

The company recognises the importance of its environmental responsibilities and maintaining its accreditation to ISO 14001:2015. It also continues to maintain its IPPC Permit issued by the Environment Agency and its COMAH Registration issued by the Environment Agency and the Health and Safety Executive. Continuous improvement initiatives form the mainstay of our Environmental Management System (EMS) and are designed to continually reduce the company's impact on the environment. Current improvement initiatives include a number of specific energy reduction projects, improvements in the management of hazardous materials and the replacement of Cadmium plating. These changes will lower the risk to employees and the environment.

The SAFRAN Sustainable Development Group also recognises the importance of its environmental responsibilities and has introduced a number of new initiatives and targets to monitor site improvement levels. The company was awarded the Gold standard in April 2018 which has been maintained to date. The company operates in accordance with group policies, which are described in the Safran SA Annual Report which does not form part of this Report.

The company is also actively working on reducing its carbon footprint. A path to reduce the carbon dioxide levels by 30% by 2025 compared to the 2018 baseline has been established in line with the Safran objectives and is progressing to achieve this goal. Further reductions in the carbon footprint of the company, beyond the 2025 objectives, to ensure that we meet our environmental obligations are also being reviewed and included in the business plans.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

The company recognises the importance of its employees in delivering its objectives and ensures the appropriate level of investment is made to develop and maintain the skills and capabilities needed to meet its customer obligations. The company is committed to open communications with its employees. During the pandemic the regular cascades have been adapted to on-line. Also regular newsletters and communications have been shared, to keep employees abreast of events and changes during these difficult times. All employees receive annual development reviews to discuss performance and to agree future training needs to support the development of the employee in line with the changing needs of the business.

Principal risks and uncertainties

Risk management is a key control with responsibility being monitored by Safran Landing Systems UK Ltd, through Safran Landing Systems SAS to Safran SA. The risk portfolio is managed both at a company level, being assigned to a designated risk manager, and at a group level with risk managers co-ordinating and co-operating across sister companies.

Competitive Risks

The company has two main groups of customers, Airframers in a business to business relationship, and the aircraft operators in a business to user relationship. The aerospace industry remains very competitive. However, due to the long term nature of contracts the risk of losing a contract before the renewal date is considered low. The company manages competitive risks by providing added value services to its customers and by maintaining strong long term relationships with them. Nevertheless, there is strong pressure from major customers for price reductions.

The industry experienced a significant decline in the civil aerospace market from 2020 linked to the COVID19 pandemic. This saw a reduction in new aircraft as well as the need for spares and services. During this time the company has adapted to ensure that it is still focused on meeting customer requirements, while remaining competitive.

STRATEGIC REPORT (continued)

Manufacturing Capacity Risks

The company load/capacity situation is managed through a robust monthly Sales and Operations planning process monitored closely, locally and globally, by Safran Landing Systems senior management. With the impact of the pandemic on the civil aerospace market from 2020 there was a need to adapt industrial plans and also resources to ensure that the business was quickly and correctly sized to the new market requirements. The options to use in-load, workshare between sites, offload, along with the use of the government retention scheme have been used to balance load and capacity from 2020. The forward looking plan has been set in line with the planned requirements for the coming years, the site industrial scheme and the projected production volumes as determined from Head office through the Medium Term Plan. The risk of future misalignment between production capacity and demand continues to be addressed through careful management of the Sales and Operations planning process and a continued focus on optimising operations and increasing efficiencies internally.

Financial Instrument Risks

The large majority of sales are made in US dollars, and therefore the company is exposed to movements in the Dollar/Pound exchange rate. The group's treasury function takes out contracts to manage this risk at a group level and thus exposure to movements in the US dollar are limited. Another strategy adopted is to purchase where possible in US dollar and therefore reduce the overall net exposure to the US dollar.

The company's credit risk is primarily attributable to its trade debtors. Although there is some concentration of credit risk in the largest customers, the level of risk is deemed appropriate given their financial standing. There were no significant bad debt write-offs in 2021.

The company is funded by its group parent company Safran SA and does not have external borrowings. Safran itself has a low gearing level and significant borrowing facilities. Interest rate risk is managed through the group treasury function.

Pensions Risks

The company operates a Defined Benefit Pensions scheme, and therefore has an exposure to pension liabilities. In 2021 the pension scheme asset increased from £25.4m to £37.5m, in the year, as detailed in note 15 to the financial statements. The defined benefit section of the pension scheme has been closed to new entrants since April 2010 and the scheme was closed to future accrual in April 2016. Members of the Defined Benefit pension scheme have been enrolled in the Defined Contribution scheme.

S172 Companies Act Disclosures

The Directors are fully apprised of their responsibilities under section 172 of the Companies Act 2006. The following disclosures describe how the Directors have had regard to the matters set out in section 172 of the Companies Act and have taken decisions for the long term benefit of Safran Landing Systems UK Limited and its stakeholders.

Business

The Board of Directors is committed to complying with all applicable regulations and standards. A strong compliance culture is encouraged with annual reviews and audits including Quality, HSE and Internal Controls. Our intention is to behave responsibly and to ensure management operates the business in a responsible manner. Our aim is to provide our customers with premium, well maintained products which together with our high level of customer service promotes our reputation for maintaining high standards.

STRATEGIC REPORT (continued)

The Company is a 100% wholly owned subsidiary of Safran Landing Systems SAS and regularly engages with its parent company to ensure plans are fully aligned with those of the Group. This includes Group approval of annual budgets, medium term plans and relevant program decisions.

The COVID19 pandemic had led to a reduction in the number of commercial aircraft flying globally. The collapse in global air traffic has negatively affected the sales of the business in both the original and aftermarket segments in 2020 and 2021. The Directors along with Safran have taken decisions to protect the business and its employees in the short, medium and long term. From 2020 the Directors of the company took the decision to implement a resizing programme to align the company capacity to the reduced load and to manage costs based on the lower level of activity. Further reductions in resources was required at the start of 2021 to ensure the alignment of load and capacity going forward. A period of consultation was held with all of the impacted stakeholders. The business is now operating with the appropriate level of resources required to satisfy its customers based on the latest demand levels. As the industry starts to come out of the pandemic and air traffic starts to increase the company continues to review its resource requirements and is looking to recruit to support the load and capacity needs.

Stakeholder Engagement

The Directors of the company actively work to strengthen relationships with all key stakeholders both internal and external to Safran Landing Systems (SLS). Internal stakeholders are communicated to in a number of ways including from Group via the weekly Insite Newsletter detailing company news, events, achievements and challenges of the Group, together with a monthly letter from the SLS CEO on the SLS challenges and performance. Both of these are published in the company intranet along with access to all historic weekly newsletters and other company information. At SLS UK Ltd we engage with internal stakeholders through the company intranet; a bi monthly cascade to employees of information and updates including news on Programs, HSE, Quality, HR and Finance; functional department cascades and meetings of more relevant departmental information; and, via site notice boards. During the COVID19 crisis, this internal communication has seen the inclusion of initially daily, then weekly, communication of site actions and news updates. Employee engagement is important to SLS at all times, but this has been paramount during COVID19 when we have aimed to support the wellbeing of both those working on site, working from home or on furlough through newsletters, health and wellbeing advice and monthly on line cascades to all employees.

Communication and relationship management have been key to the ongoing successful relationships with external stakeholders including regular reviews with and support to customers on product deliveries, our financial robustness, quality management and project deliverables. There has also been regular contact with suppliers to ensure awareness of delivery scheduling, management of orders to avoid any late payment and to provide reassurance of our ongoing demand from them despite COVID19 reductions in purchasing levels. Another key group of external stakeholders are those with an interest in the SLS Pension Scheme and we have ensured both continued communication and reassurance to the scheme regarding the business and our intention to maintain future cash inputs to remove any pension scheme deficit.

Employees

The company has an active employee engagement programme and the Board of Directors is responsible for leading the implementation of the company's health, safety and environmental policy. The safety of employees is the number one priority of the Directors. The company has held the Safran Gold award for safety since April 2018. An employee wellbeing programme is in place which provides support to the employees in areas such as physical and mental health.

A New Ways of Working project started in 2020 to evaluate the future working model. Employees were encouraged to complete a survey to gauge their opinions on future flexible working and working from home policy. As the COVID19 restrictions have lifted during the start of 2022 the company is moving forward with the implementation of new ways of working. We are now working under a hybrid arrangement for those that can work at home to be able to do so provided this is not detrimental to their work or business relationships and it is agreed with their line manager.

STRATEGIC REPORT (continued)

Community and Environment

The Board of Directors is very aware of its importance in the community as a large and historic employer. It supports local activities in the area such as the annual Science Festival as well as local charities and community groups. At the beginning of 2022 and for the Queens platinum jubilee the company planted a tree for every employee. The company's environmental policies recognize the protection of the environment and natural resources as one of the principal business responsibilities. The company has an ongoing carbon reduction program as well as a waste reduction program and continues to invest in these.

This report was approved by the board on 27th July 2022 and signed on its behalf by:

N R Woodford

N Woodford
Director
27th July 2022

DIRECTORS' REPORT

The directors present their annual report and the financial statements of the company for year ended 31 December 2021. The company is registered in the United Kingdom under company number 3548809.

Directors of the company

The current directors are shown on page 1.

Results and Dividends

The audited financial statements for the year ended 31 December 2021 are set out on pages 16 to 34.

The profit for the year after taxation was £53,365k (2020: £56,612k).

A dividend of £56,612k was paid in 2021 (2020: £89,595k).

Future Developments

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any major changes in the company's activities in the next year.

Events since the balance sheet date

There have not been any events since the balance sheet date which would materially impact the 2021 figures reported. Please see section below on Russian invasion of Ukraine on page 10.

Financial Instruments

Details of financial instruments are provided in the Strategic Report on page 4.

Research and Development

The company continues to invest significantly in research and development in order to ensure that the products offered are kept up to date with the latest technologies and are adapted to the changes in market and customer expectations. The total spent on research and development during the year was £8,189k (2020: £10,104k).

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, details of its financial instruments and its exposures to competitive and other risks are described in the Strategic Report on pages 2 to 6.

The company is financed through borrowings from its parent company, Safran SA. Safran itself has a low gearing level and significant borrowing facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have received a letter from the Group Chief Financial Officer of Safran in March 2022 confirming their intention to provide the company all necessary financial support to allow the company to continue its normal operations as a going concern for a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DIRECTORS' REPORT (continued)

Directors' liabilities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Political donations

No payments were made to political parties during the year (2020: £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

The company operates a clear policy of equality, covering all societal groups, across all aspects of their employment with the company. The company also recognises that flexible working is useful for the retention of skills and engagement of individual employees and so accommodates flexible working arrangements, where operationally feasible. It is company policy that the training, career development and promotional opportunities for all groups should, as far as possible, be identical.

Employee involvement

The company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, notices and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests. A group employee share scheme, launched in 2008, continues to operate and is open to all employees.

Streamlined Energy and Carbon reporting (SECR) statement

SAFRAN Landing Systems Ltd are committed to reducing our energy and green house gas emissions in line with our corporate targets. We are participants in the Energy Savings Opportunity Scheme (ESOS), and have also committed to a Climate Change Agreement (CCA), which requires the business to continuously reduce our energy consumption and associated emissions. For the financial year ending 31st December 2021, we are also reporting under the Streamlined Energy and Carbon Reporting legislation (SECR) for the second time.

In the reporting year, SAFRAN Landing Systems Ltd consumed 27,665,352kWh of energy associated with Scope 1 and 2 greenhouse gas emissions. Electricity consumption accounted for 11,315,111kWh (40.9%) of the businesses energy use, whilst natural gas purchases accounted for 16,338,444kWh (59.1%). Other on-site use of diesel fuel and acetylene accounted for a further 11,797kWh. Employee travel, which was claimed through expenses, accounted for 9,160kWh of energy use, and this source is classified as Scope 3 emissions.

The greenhouse gas emissions associated with the above supplies have been calculated to be 5,400.1 tonnes of CO_2e. 'Scope 1' emissions were 2,995.3 tonnes (55.5%) and were mainly associated with natural gas and diesel fuel purchases. 'Scope 2' emissions were 2,402.5 tonnes (44.5%) and were associated with electricity purchases. Employee mileage claims accounted for a further 2.3 tonnes of CO_2e, and this is classified as Scope 3 emissions.

DIRECTORS' REPORT (continued)

	Financial Year 2021				Financial Year 2020			
Reporting	kWh Consumption	%	Tonnes CO2e	Rounded %	kWh Consumption	%	Tonnes CO2e	Rounded %
Scope 1 Energy								
Natural Gas Consumption	16,338,444 kWh	*59.0%*	2,992.5 t	*55.4%*	16,815,047 kWh	*56.3%*	3,091.8 t	*50.4%*
Heating Oil	0 kWh	*0.0%*	0.0 t	*0.0%*	101,514 kWh	*0.3%*	26.1 t	*0.4%*
Diesel Fuel	10,607 kWh	*0.0%*	2.5 t	*0.0%*	21,795 kWh	*0.1%*	5.2 t	*0.1%*
Acetylene Gas	1,190 kWh	*0.0%*	0.3 t	*0.0%*	0 kWh	*0.0%*	0.0 t	*0.0%*
Scope 2 Energy								
Electricity Purchases	11,315,111 kWh	*40.9%*	2,402.5 t	*44.5%*	12,925,876 kWh	*43.3%*	3,013.5 t	*49.1%*
Scope 3 Energy								
Employee Mileage Claims	9,160 kWh	*0.0%*	2.3 t	*0.0%*	9,633 kWh	*0.0%*	2.4 t	*0.0%*
Total Reported	**27,674,512 kWh**		**5,400.1 t**		**29,873,865 kWh**		**6,139.0 t**	

Our energy consumption per unit of production (manufactured units) was 31,762.7kWh per unit, and the CO_2e emissions were 6,200kg per unit manufactured. Our energy consumption per million pounds of gross turnover was 66,741.7kWh per million pounds, and the CO_2e emissions was 13,028kg per million pounds.

Our electricity and gas energy consumption has been calculated based upon kWh metered and invoiced supplies in all instances. Our employee mileage claims, when staff are travelling on company business, have been used as the basis of our employee transport calculations.

Our reporting incorporates all Scope 1 and 2 supplies, and our greenhouse gas emissions have been calculated using location based reporting practices and relevant conversion factors as published by DEFRA and BEIS for 2021 reporting (Version 1.0). It is possible that we may adopt market based reporting in future SECR returns, and we will keep this matter under review.

During 2021 we have continued to make good progress in reducing our energy consumption despite the disruption caused by the COVID19 pandemic slowing some initiatives. In 2021, we have made improvements in LED lighting, equipment efficiency and heat recovery solutions. We aim to continue this work to improve our energy efficiency through further initiatives in 2022 and beyond to achieve our target of reducing by 35% by the end of 2025.

Looking forward to 2022, we are continuing to develop our energy and carbon reduction strategy for the business. We have engaged external consultants to develop a range of initiatives, including;

- On site solar PV electricity generation
- Further LED lighting and lighting controls retrofits
- Equipment replacements
- Improved building insulation
- Further heat recovery solutions
- Transfer of vehicle pool fleet to hybrid/electric alternatives

DIRECTORS' REPORT (continued)

Disclosure of information to the auditor

So far as each person who was a director at the date of signing this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Mazars LLP as auditor of the company.

COVID19

In accordance with the guidance issued by the UK Government the company took actions to ensure that the site was a COVID19 secure site. Those employees who were unable to work remotely were able to continue to work on site safely and business operations were maintained effectively throughout 2021.

At the start of the pandemic the executive team held daily crisis management meetings to ensure business continuity, oversee the response to the crisis and plan for the future. Regular weekly or bi-weekly reviews continued through 2021 but as we move through the start of 2022 and with the relaxation of restrictions the reviews have reduced in frequency and will look to be closed out when appropriate.

During the crisis the company took advantage of the relevant Government schemes to furlough a number of employees including those Clinically Extremely Vulnerable and unable to work on site and additionally a number of employees in roles where work could be suspended or temporarily reduced due to volume reductions in workload.

Russian invasion of Ukraine

The Russian invasion of Ukraine in February 2022 and the resulting sanctions imposed have already impacted the global economy. This is expected to worsen during 2022, increasing our risk position. The Directors and Group recognise there may be impacts to the sourcing of goods and resources and to our global supply chain in the longer term. Therefore, the Directors of the company and the Group are continuously monitoring the position, with relevant teams preparing mitigation plans for those risks which may worsen over the coming months. The company is working in line with UK Government and Group guidelines. The directors have concluded that this is a non-adjusting post balance sheet event.

Disclosure in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium-sized Companies and Groups (accounts and reports) Regulation 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on page 2. These matters relate to engagement with customers, suppliers and others.

This report was approved by the board on 27th July 2022 and signed on its behalf by:

N.R.Woodford

N Woodford
Director
27th July 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments 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, and
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFRAN LANDING SYSTEMS UK LIMITED

Opinion

We have audited the financial statements of Safran Landing Systems UK Limited (the 'company') for the year ended 31 December 2021 which comprise of the Statement of Comprehensive Income, Statement of Financial Position, 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 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 at least twelve 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.

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 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFRAN LANDING SYSTEMS UK LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 set out on page 11, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, pension legislation, employment regulation, health and safety regulation and non-compliance with the implementation of government support schemes relating to COVID-19.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFRAN LANDING SYSTEMS UK LIMITED (CONTINUED)

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as FRS 102 and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

Our audit procedures in relation to fraud through revenue recognition specific to cut-off included, but were not limited to:

- Assessing management's revenue recognition policy; and
- Agreeing a sample of revenue transactions pre and post year end, to ensure they have been recognised in the appropriate period and in line with the group accounting policy.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFRAN LANDING SYSTEMS UK LIMITED (CONTINUED)

Use of the audit 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.

Louis Burns

Louis Burns (Jul 29, 2022 05:53 GMT+1)

Louis Burns (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
First Floor
Two Chamberlain Square
Birmingham
B3 3AX
Date Jul 29, 2022

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2021

	Note	2021 £'000	2020 £'000
TURNOVER	2	414,514	597,825
Change in stocks of finished goods and work in progress		11,246	(15,637)
Other operating income	3	2,359	930
Grant income	3	795	3,514
Raw materials and consumables		(274,995)	(405,535)
Other external charges		(38,246)	(61,167)
Staff costs	5	(43,876)	(44,443)
Depreciation and other amounts written off tangible and intangible fixed assets	3	(4,839)	(5,029)
Operating expenses		(347,556)	(527,367)
OPERATING PROFIT, BEING PROFIT BEFORE INTEREST AND TAX	3	66,958	70,458
Other finance expenses	6	(169)	(287)
Interest payable	6	206	(96)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		66,995	70,075
Tax on profit on ordinary activities	7	(13,630)	(13,463)
PROFIT FOR THE FINANCIAL YEAR		53,365	56,612
OTHER COMPREHENSIVE INCOME			
Re-measurement gain recognised on defined benefit pension scheme		7,820	12,963
UK deferred tax attributable to the re-measurement		(3,733)	(2,445)
Total comprehensive income relating to the year		57,452	67,130

All results are derived from continuing operations.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2021

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	9	-	-
Tangible assets	10	51,648	51,943
		51,648	51,943
CURRENT ASSETS			
Stocks	11	104,289	92,755
Debtors falling due within one year	12	72,221	101,364
Cash at bank		-	-
TOTAL CURRENT ASSETS		176,510	194,119
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(66,716)	(80,539)
NET CURRENT ASSETS		109,794	113,580
TOTAL ASSETS LESS CURRENT LIABILITIES		161,442	165,523
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	13	(9,365)	(4,834)
PROVISIONS FOR LIABILITIES	14	(7,652)	(5,085)
PENSION ASSET	15	37,459	25,440
NET ASSETS INCLUDING PENSION ASSET		181,884	181,044
CAPITAL AND RESERVES			
Called-up share capital	16	30,000	30,000
Share premium account	17	82,781	82,781
Profit and loss account	17	69,103	68,263
SHAREHOLDERS' FUNDS		181,884	181,044

These financial statements for Safran Landing Systems UK Limited, registered number 3548809, were approved by the Board of Directors and authorised for issue on the 27th July 2022.

Signed on behalf of the Board of Directors

N.R.Woodford

Nigel Woodford

Director
27th July 2022

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2020	30,000	82,781	90,728	203,509
Profit for the year	-	-	56,612	56,612
Other comprehensive expense for the year	-	-	10,518	10,518
Transactions with owners:				
Dividends paid	-	-	(89,595)	(89,595)
Balance at 31 December 2020	30,000	82,781	68,263	181,044
Profit for the year	-	-	53,365	53,365
Other comprehensive income for the year	-	-	4,087	4,087
Transactions with owners:				
Dividends paid	-	-	(56,612)	(56,612)
Balance at 31 December 2021	30,000	82,781	69,103	181,884

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Statement of Compliance

Safran Landing Systems UK Limited is a limited liability company incorporated in England. The company registration number is 3548809. The registered office is Cheltenham Road East, Gloucester, GL2 9QH.

The company's financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for preparation

The company's principal activities during the year continued to be the design, manufacture and product support of aircraft landing gear for civil and military aircraft.

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted by the directors are described below. These have been applied consistently throughout the year and the preceding year.

The financial statements have been prepared under the historical cost convention in accordance with the company's accounting policies. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

Exemptions

The company has taken advantage of the following disclosure exemptions available under FRS 102 as equivalent disclosures are included in the consolidated financial statements of Safran SA:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing related party transactions with wholly owned members of the group;
- the exemption from disclosing the requirements of section 11 and section 12 in relation to financial instruments; and
- the exemption from disclosing key management personnel compensation.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, 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.

Judgements

- **Impairment**

The directors have considered both external and internal sources of information such as market conditions and experience on recoverability. There have been no indicators of impairment of assets during the current financial year.

Estimates

The following three critical accounting estimates involve a higher degree of estimation uncertainty.

- **Pension and other post-employment benefits**

The costs of the defined benefit pension plan are determined using actuarial valuations. The actuarial valuation involves making assumptions about the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Many of the key financial assumptions are derived from the yields on AA-rated corporate bonds or from yields on Government bonds and reflect a best estimate of likely future experience. Post retirement mortality rates have been derived from the standard S2P base tables. Pension increase assumptions are based on expected future inflation rates. See note 15 for the disclosures relating to the defined benefit pension scheme and for the year end value.

- **Provision for technical liabilities**

The company holds a warranty provision based on the warranty period, size and age of the fleet in service for Airbus programs. The provision is calculated using prior year warranty costs and customer services costs related to warranty. The company also holds a general warranty provision for B787 which

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

is calculated based on a specific percentage applied to sales. The percentage is calculated based on actual warranty costs incurred in prior years compared to prior year's sales.

The company also holds specific provisions for known technical in service issues. These provisions are based on the number of affected gears in service. The provision is calculated using the relevant affected parts standard costs and expected labour costs. If the liability covers more than one year then inflation may be applied to cover future costs.

See note 14 for the disclosures relating to warranty provisions and for the year end value.

- **Stock Provisions**

The stock balances of £104,289k (2020: £92,755k) recorded in the company's balance sheet comprise a mix of raw materials, work in progress and finished goods. This amount is stated net of provisions of £12,255k (2020: £11,965k). A review of slow moving and obsolete stock is carried out at the end of each month. Whilst every attempt is made to ensure that the stock provisions are as accurate as possible, there remains a risk that the provisions do not match the level of stock which ultimately prove to be held above the net realisable value.

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written-off on a straight-line basis over its useful economic life of 20 years as the Directors have estimated this to be the period of its expected business use. Provision is made for impairment as required.

Research and development

Research expenditure is expensed in the year in which it is incurred in line with FRS102 section 18.8E. The Company has also opted to expense development expenditure in the year in which it is incurred as per FRS102 section 18.8K.

Tangible fixed assets

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	15 to 40 years
Plant, machinery and equipment	5 to 15 years
Fixtures, fittings, tools and equipment	Between 1 and 6 years (including data processing installations and equipment between 1 and 5 years)
Tooling	5 to 10 years
Test rigs	5 to 15 years

Assets under the course of construction are not depreciated until they are brought into use.

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in the future. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

Government grants

Government grants relating to the Coronavirus Job Retention Scheme (CJRS) have been received during the year in respect of employee costs incurred for furloughed staff. Grants are accounted under the accruals model as permitted by FRS102.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

Turnover

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

Turnover from the sale of goods (Original Equipment and Aftermarket) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods, when the amount of turnover 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.

Down payments from OE (Original Equipment) customers are included in payments on account in creditors when they are received and taken to revenue when the products to which they relate are delivered.

Payments received from customers in advance of the completion of Research and Development (R&D) contracts is included in deferred income in creditors until revenue is recognised. Revenue from R&D is recognised according to the percentage of completion method, by reference to the level of progress of the contracts concerned and the percentage of costs completed.

Pensions

The company provides pension arrangements to the majority of full time employees through both a defined benefit scheme and a defined contribution scheme.

In respect of the defined benefit pension scheme, actuarial valuations are carried out every three years by independent qualified actuaries.

The cost of providing benefits under the defined scheme is determined using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest is recognised in profit or loss as other finance revenue or cost.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Re-measurements, comprising actuarial gains and losses and the return on assets (excluding amounts included in the Income Statement) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset/liability in the balance sheet comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.

Contributions to defined contribution schemes are recognised in the Income Statement in the period in which they become payable.

The stated policy for charging the defined benefit cost of the plan as a whole to individual entities is a split of 85% to Safran Landing Systems UK Limited and 15% to Safran Landing Systems Services UK Limited therefore the company has recognised 85% of the net defined benefit cost and relevant net defined benefit liability of the scheme.

Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Directors' Report.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising from movements in rates of exchange are dealt with in the Statement of Comprehensive Income.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore provisions are not discounted.

Financial instruments

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. The company holds basic and may hold non-basic financial instruments, which comprise cash at bank and in hand, short-term deposit investments, trade and other debtors, loans and borrowings, trade and other creditors, and derivative financial instruments.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and other short-term highly liquid investments with original maturities of three months or less which are classified as current asset investments.

Trade and other debtors

Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted value of the amount expected to be receivable, net of any impairment.

At the end of each reporting year, the company assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities – classified as basic financial instruments

Trade and other creditors and loans and borrowings

Short term trade and other creditors and loans and borrowings are initially measured at the transaction price. Other financial liabilities which constitute financing transactions are initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Derivative financial instruments – classified as other financial instruments

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into, and are subsequently measured at fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

2. SEGMENTAL ANALYSIS

The company operates wholly within the aerospace business. All profits and turnover derive from operations based in the United Kingdom. All turnover is from the sale of goods. The geographical analysis of turnover by destination is as follows:

	2021			2020		
	Fellow group undertakings £'000	External £'000	Total £'000	Fellow group undertakings £'000	External £'000	Total £'000
United Kingdom	885	23,689	24,574	764	29,355	30,119
Continental Europe	272,181	19,357	291,538	328,339	19,272	347,611
North America	6,139	91,377	97,516	22,900	196,234	219,134
Rest of world	420	466	886	55	906	961
	279,625	134,889	414,514	352,058	245,767	597,825

3. OPERATING PROFIT

	2021 £'000	2020 £'000
Operating profit is stated after charging/(crediting)		
Research and development expenditure ("R&D")	8,189	10,104
Maintenance of premises and equipment	6,002	5,786
Subcontracting costs	3,373	4,688
Management charges	5,078	6,483
Depreciation of fixed assets	4,839	5,029
Operating lease rentals:		
- Plant and Machinery	437	455
- Land and Building	30	30
- Other	-	24
Foreign exchange gains	(8,269)	(5,062)
Loss on sale of fixed assets	200	748
R&D tax credit	(2,359)	(930)
Coronavirus Job Retention Scheme	(795)	(3,514)
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	106	106

NOTES TO THE FINANCIAL STATEMENTS

4. DIRECTORS' REMUNERATION

Remuneration

The remuneration of the directors was as follows:

	2021 £'000	2020 £'000
Remuneration (other than company pension contributions)	469	345
Value of company pension contributions	82	73
	551	418

Pensions

The number of directors who were members of pension schemes was as follows:

	2021 Number	2020 Number
Defined benefit schemes	4	4

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2021 £'000	2020 £'000
Remuneration (other than company pension contributions)	150	127
Value of company pension contributions	23	27
	173	154

The accrued pension entitlement under the company's defined benefit scheme of the highest-paid director at 31 December 2021 was £45,341 (2020: £27,731).

The services of the Directors, other than Mr N Woodford, Mr D Waite, Mr A Devons and Mrs R McGlothlen are deemed to be incidental to their roles as Directors of other Group entities and therefore no emoluments are disclosed for these Directors, as they were not paid by the company. The Directors are considered to be the only key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2021 Number	2020 Number
Production and distribution	672	777
Sales and administration	70	80
	742	857

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	35,154	36,441
Social security costs	3,401	3,476
Defined contribution pension costs	4,655	4,543
Other pension charge/(income) (see note 15)	666	(17)
	43,876	44,443

6. OTHER FINANCE EXPENSE / INTEREST PAYABLE

	2021 £'000	2020 £'000
Other finance expense		
Net (income)/charge on defined benefit pension scheme (note 15)	(366)	9
Interest payable		
Other interest payable to the Group	169	287
Other external interest payable	160	87
Net interest (income)/charge	(37)	383

NOTES TO THE FINANCIAL STATEMENT

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and comprises:

	2021 £'000	2020 £'000
Current taxation		
Corporation tax at 19.0% (2020: 19.0%)	12,344	12,782
Adjustments in respect of prior years	(206)	14
Total current taxation	12,138	12,796
Deferred tax		
Origination and reversal of timing differences	(2,070)	(2,223)
Adjustments in respect of prior years	320	107
Defined benefit pension	798	2,545
Effect of tax rate change on opening balance	2,444	238
Total deferred taxation (see note 14)	1,492	667
Tax charge on profit on ordinary activities	13,630	13,463

The tax charge for the current period is higher (2020: higher) than that resulting from applying the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	66,995	70,087
Tax at 19.0% (2020: 19.0%) thereon	12,730	13,316
Expenses not deductible for tax purposes	151	263
Patent box additional deduction	-	(475)
R&D expenditure credits	(344)	-
Adjustments to tax charge in respect of previous periods	(206)	14
Adjustments to tax charge in respect of previous periods – deferred tax	320	107
Remeasurement of deferred tax for changes in tax rates	979	238
Current tax charge recognised in the Income Statement	13,630	13,463

The amount of the deferred tax liability expected to reverse during 2021 is £nil as it mainly relates to fixed asset timing differences which are likely to increase.

8. DIVIDENDS

The Company paid dividends of £56,612,000 in 2021 (2020: £89,595,000).

NOTES TO THE FINANCIAL STATEMENTS

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Total £'000
Cost		
At 1 January 2021 and 31 December 2021	144,524	144,524
Amortisation		
At 1 January 2021	(144,524)	(144,524)
Charge for the year	-	-
At 31 December 2021	(144,524)	(144,524)
Net book value		
At 31 December 2021	-	-
At 31 December 2020	-	-

10. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Plant and Equipment	Tooling and Test Rigs	Assets under the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	21,920	97,930	9,848	9,103	138,801
Additions	32	306	397	4,069	4,804
Transfers	14	3,677	349	(4,040)	-
Disposals	-	(728)	-	-	(728)
At 31 December 2021	21,966	101,185	10,594	9,132	142,877
Accumulated depreciation					
At 1 January 2021	(7,441)	(73,459)	(5,958)	-	(86,858)
Charge for the year	(627)	(3,461)	(751)	-	(4,839)
Disposals	-	468	-	-	468
At 31 December 2021	(8,068)	(76,452)	(6,709)	-	(91,229)
Net book value					
At 31 December 2021	13,898	24,733	3,885	9,132	51,648
At 31 December 2020	14,479	24,471	3,890	9,103	51,943

Freehold land of £3,059,354 (2020: £3,059,354) included in the above is not being depreciated.

NOTES TO THE FINANCIAL STATEMENTS

11. STOCKS

	2021 £'000	2020 £'000
Raw materials and consumables	5,000	4,712
Work-in-progress	22,073	13,791
Finished goods	77,216	74,252
	104,289	92,755

The impairment loss on stocks charged to the income statement in 2021 was £290,000. This related mainly to an increase in provisions held against production stock. (2020: impairment gain of £3,765,000).

12. DEBTORS

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	36,696	34,159
Amounts owed by group undertakings	34,263	65,171
Prepayments and accrued income	1,262	890
Taxation and social security	-	1,144
	72,221	101,364

The reversal of prior impairment on trade debtors recognised in the income statement in 2021 was £Nil (2020: reversal of impairment loss of £Nil). All amounts owed by group undertakings are unsecured, interest free and payable on demand.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Payments on account	13,787	14,349
Trade creditors	10,584	14,079
Amounts owed to group undertakings	33,019	35,649
Other creditors	133	249
Taxation and social security	472	-
Corporation tax	3,345	12,892
Accruals and deferred income	5,376	3,321
	66,716	80,539

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

Amounts falling due after more than one year:		
Deferred tax liability relating to defined benefit pension scheme asset	9,365	4,834
	9,365	4,834

NOTES TO THE FINANCIAL STATEMENTS

14. PROVISIONS FOR LIABILITIES

	Provision for technical liabilities £'000	Deferred tax £'000	Total £'000
At 1 January 2021	2,497	2,588	5,085
Arising during the year	1,730	1,492	3,222
Released to income statement	(655)	-	(655)
At 31 December 2021	3,572	4,080	7,652

PROVISION FOR TECHNICAL LIABILITIES

This provision consists of 3 (2020: 1) specific provisions for a total amount of £2,586,000 (2020: £875,000) and a general warranty provision of £986,000 (2020: £1,622,000), which is based on the size and age of the fleet in service. Of the specific provision balance £180,000 is forecast to be used in 2021 (2020: £300,000 forecast to be used in 2021).

DEFERRED TAX LIABILITY

The movement on the deferred tax account during the year was as follows:

	2021 £'000	2020 £'000
At 1 January	2,588	1,921
Profit and loss account credit in the year	(1,272)	322
Prior year adjustment	320	107
Effect of tax rate change on opening balance	2,444	238
At 31 December	4,080	2,588

Deferred tax provision consists of the following amounts:

	2021 £'000	2020 £'000
Accelerated capital allowances	4,303	2,599
Other timing differences	(223)	(11)
	4,080	2,588

The above does not include the deferred tax liability in relation to the pension asset of £9,365,000 (2020: £4,834,000 Asset). See note 15.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

The UK deferred tax liability as at 31 December 2021 was calculated at 25% (2020: 19%).

NOTES TO THE FINANCIAL STATEMENTS

15. PENSION ARRANGEMENTS

The company operates a defined benefit scheme named the Safran Landing Systems Pension Scheme ("the Scheme") and the last full funding valuation was carried out as at 31 March 2020. A qualified independent actuary has updated the results of this valuation to 31 December 2021 to obtain the figures in this disclosure note.

The contributions paid to the defined benefit scheme by Safran Landing Systems UK Limited amounted to £3,833,500 (2020: £13,387,500), contributions are also paid by Safran Landing Systems Services UK Limited. The cost of the pension scheme and contributions are split 85% to Safran Landing Systems UK Limited and 15% to Safran Landing Systems Services UK Limited. Contributions outstanding at the year-end for Safran Landing Systems UK Limited were £Nil (2020: £Nil). The disclosures in this note represent 85% of the total scheme.

The defined benefit scheme was closed to new entrants in April 2010 and the scheme was closed to future accrual in April 2016.

Mortality Assumptions

Investigations have been carried out within the past three years into the mortality experience of the company's defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2021	2020
Retiring Today:		
Males	22.5	22.4
Females	24.6	25.0
Retiring in 20 Years:		
Males	24.0	24.0
Females	26.3	26.6

The other major assumptions used were:

	2021 %	2020 %
Rate of increase in pensions in payment:		
Pre 1 April 2010	3.20	2.70
Post 1 April 2010	2.20	2.00
Discount rate	1.90	1.45
Inflation assumption (RPI)	3.35	2.80
Inflation assumption (CPI)	2.85	2.35

NOTES TO THE FINANCIAL STATEMENTS

15. PENSION ARRANGEMENTS (CONTINUED)

Analysis of the amount that has been charged to operating profit is as follows:

	2021 £'000	2020 £'000
Past service income	-	(17)
Net Income	-	(17)

Analysis of amount that has been charged to net finance expense is as follows:

	2021 £'000	2020 £'000
Interest on net defined liability	(366)	9
Net finance (Income)/charge on pension scheme	(366)	9

Analysis of the re-measurement gain that has been recognised in Other Comprehensive Income:

	2021 £'000	2020 £'000
Actual gain on scheme assets less interest income	5,508	43,036
Actuarial gain/(loss) on scheme liabilities	2,312	(30,073)
Total re-measurement gain	7,820	12,963

The amount included in the Statement of Financial Position arising from the company's obligations in respect of its defined benefit scheme is as follows:

	2021 £'000	2020 £'000
Fair value of scheme assets	358,309	357,306
Present value of defined benefit obligations	(320,850)	(331,866)
Benefit in scheme	37,459	25,440

Actual gain on scheme assets	10,591	49,079

NOTES TO THE FINANCIAL STATEMENTS

15. PENSION ARRANGEMENTS (CONTINUED)

Movements in the present value of the defined benefit obligation during the year were as follows:

	2021 £'000	2020 £'000
At 1 January	331,866	309,791
Past service income	-	(17)
Interest cost	4,718	6,052
Actuarial (loss)/gain on scheme liabilities	(2,312)	30,073
Benefits paid	(13,422)	(14,033)
At 31 December	320,850	331,866

Movements in fair value of scheme assets during the year were as follows:

	2021 £'000	2020 £'000
At 1 January	357,306	308,873
Interest income on scheme assets	5,083	6,052
Actual return on scheme assets less amount taken to Income Statement	5,508	43,036
Contributions by the employer	3,834	13,378
Benefits paid	(13,422)	(14,033)
At 31 December	358,309	357,306

Contributions expected to be made in 2022 to the scheme by Safran Landing Systems UK Limited are approximately £8,250,000.

The analysis of the scheme assets at the Balance Sheet date were as follows:

	Fair value of assets	
	2021 £'000	2020 £'000
Equities	26,979	69,879
Government Bonds	326,332	274,269
Property	-	-
Others	4,998	13,158
Total fair value of scheme assets	358,309	357,306

NOTES TO THE FINANCIAL STATEMENTS

16. CALLED-UP SHARE CAPITAL

	2021 £'000	2020 £'000
Authorised, allotted, called up and fully paid 30,000,000 ordinary shares of £1 each	30,000	30,000

The ordinary shares carry one voting right per share and no right to fixed income

17. RESERVES

A description of each reserve is set out below.

Share premium account

This reserve relates to the excess of subscription price for shares issued over the nominal value of the shares.

Profit and loss account

This reserve relates to the cumulative retained profit or loss and other comprehensive income less amounts distributed to shareholders.

18. FINANCIAL COMMITMENTS

Capital expenditure sanctioned by the Board and contracted for at 31 December 2021 amounted to £2,494,000 (2020: £3,633,000).

Future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts payable:				
- within one year	30	30	270	278
- in two to five years	120	120	418	474
- in over five years	2,220	2,250	-	-
	2,370	2,400	688	752

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under section 1.12 of FRS102 not to disclose the details of transactions with other Safran group companies as it is ultimately 100% owned by Safran SA, the consolidated financial statements of which are publicly available.

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At the balance sheet date the ultimate parent undertaking and controlling party was Safran SA, a company registered in France. A copy of the group financial statements of Safran SA may be obtained from 2, bd du Général Martial-Valin - 75724 Paris Cedex 15, France. Safran SA is the largest and smallest group into which the results of the company and its subsidiaries are consolidated. The immediate parent undertaking is Safran Landing Systems SAS, a company registered in France.

NOTES TO THE FINANCIAL STATEMENTS

21. POST BALANCE SHEET EVENT

The Russian invasion of Ukraine in February 2022 and the resulting sanctions imposed have already impacted the global economy. This is expected to worsen during 2022, increasing our risk position. The Directors and Group recognise there may be impacts to the sourcing of goods and resources and to our global supply chain in the longer term. Therefore, the Directors of the company and the Group are continuously monitoring the position, with relevant teams preparing mitigation plans for those risks which may worsen over the coming months. The company is working in line with UK Government and Group guidelines. For the purposes of the company's 2021 financial statements this is considered a non-adjusting event.