

Company Registration No. 02968071 (England and Wales)

FERRANTI TECHNOLOGIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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FERRANTI TECHNOLOGIES LIMITED

COMPANY INFORMATION

Directors
Mr F Brinksman
Mr I Tibbit
Mr J Gaspar
Mr R A Applegate
Mr E Brook

Secretary
Mr F Brinksman

Company number
02968071

Registered office
Cairo House
Greenacres Road
Waterhead
Oldham
OL4 3JA

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

FERRANTI TECHNOLOGIES LIMITED

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FERRANTI TECHNOLOGIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report for the year ended 31 December 2015.

Principal activities and review of the business

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

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

Key to the on-going success of the company is its ability to deliver turnkey design, engineering and manufacturing solutions for ruggedized micro – processor based electronic systems for use in the extreme environments and safety critical applications common in the aerospace and defence industry.

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

	2015 £000	2014 £000
Turnover	20,414	24,022
Operating (loss)/profit	(662)	1,521
(Loss)/profit after tax	(484)	1,291
Order book	98,550	38,769

The directors report turnover of £20,414,000 (2014 – £24,022,000) and an operating loss of £662,000 (2014 – profit £1,521,000) for the year to 31 December 2015.

The operating loss for 2015 is as a result of reduced sales revenue in the year, partly due to delays in completing contract manufacturing deliveries on 2 major programmes. The delays were due to a number of customer related issues to the design of their products, which meant production had to be stopped for a period during the year. Those orders are still valid and more than £4m has been delayed into 2016.

The closing order book stands at £98,550,000 (2014 – £38,769,000), a major increase from 2014, and this reflects some major contract wins with the UK MoD, Rolls Royce and a large contract with an overseas customer. The new business orders won in 2015 was £80,173,000 (2014 £34,630,000) which is a record since the company was formed.

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

FERRANTI TECHNOLOGIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Principal risks and uncertainties

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

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


At a company level there is always the risk, in a fixed price contracting environment, that programmes will overrun with resultant increase in cost. This is true particularly of engineering programmes. The company is well aware of these risks, utilises risk management and other tools where appropriate and has a reputation to date of satisfactory performance and delivery.

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

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

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

On behalf of the board



Mr F Brinksman

Director

8 September 2016

FERRANTI TECHNOLOGIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and financial statements for the year ended 31 December 2015.

Directors

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

Mr F Brinksman
Mr I Tibbit
Mr J Gaspar
Mr R A Applegate
Mr E Brook
Mr S R Warren

(Resigned 31 August 2015)

Results and dividends

The results for the year are set out on page 7.

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

Market value of land and buildings

Following an informal review and reduction in carrying value in 2013 with our property agents Edward Symmons LLP the directors believe the value of the at £1.8m is still reasonable. The earlier reduction of £314,000 in 2013 reflected the loss of a major tenant in March 2013 which generated rental income. We continue to have space available and are not occupying some of the area previously occupied by our tenant, with the rest of the surplus space still being marketed for rent, but at the moment it remains vacant, hence the reduction in the estimated property value.

Research and development

The company continues to invest in research and development to enhance our product base and capability, and in addition are being supported by our parent undertaking to invest in a new product for a European civil aircraft manufacturer.

Auditor

During the year, Ernst & Young LLP resigned as the company's auditors and Edwards were appointed. In accordance with section 485 of the Companies Act 2006, a resolution proposing that Edwards be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

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

On behalf of the board



Mr F Brinksman

Director

8 September 2016

FERRANTI TECHNOLOGIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

FERRANTI TECHNOLOGIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FERRANTI TECHNOLOGIES LIMITED

We have audited the financial statements of Ferranti Technologies Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

FERRANTI TECHNOLOGIES LIMITED

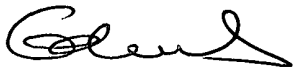
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FERRANTI TECHNOLOGIES LIMITED

Matters on which we are required to report by exception

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

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



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

16 SEPTEMBER 2016

Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

FERRANTI TECHNOLOGIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Turnover	3	20,414	24,022
Cost of sales		(16,835)	(18,868)
Gross profit		3,579	5,154
Distribution costs		(272)	(240)
Administrative expenses		(3,987)	(3,415)
Other operating income		18	22
Operating (loss)/profit	4	(662)	1,521
Interest receivable and similar income	7	1	1
Interest payable and similar charges	8	(4)	-
(Loss)/profit before taxation		(665)	1,522
Taxation	9	181	(231)
(Loss)/profit for the financial year		(484)	1,291

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

FERRANTI TECHNOLOGIES LIMITED

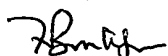
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	10	7	7
Tangible assets	11	2,827	2,840
		<u>2,834</u>	<u>2,847</u>
Current assets			
Stocks	12	7,033	5,450
Debtors	13	29,245	16,121
Cash at bank and in hand		737	605
		<u>37,015</u>	<u>22,176</u>
Creditors: amounts falling due within one year		<u>21,167</u>	<u>5,885</u>
Net current assets		15,848	16,291
Total assets less current liabilities		<u>18,682</u>	<u>19,138</u>
Provisions for liabilities	16	(523)	(495)
Net assets		<u><u>18,159</u></u>	<u><u>18,643</u></u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Revaluation reserve		1,484	1,457
Profit and loss reserves		15,675	16,186
Total equity		<u><u>18,159</u></u>	<u><u>18,643</u></u>

The financial statements were approved by the board of directors and authorised for issue on 8 September 2016

Signed on its behalf by:



Mr F Brinksman
Director

Company Registration No. 02968071

FERRANTI TECHNOLOGIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital £000	Revaluation reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2014		1,000	1,427	14,925	17,352
Year ended 31 December 2014:					
Profit and total comprehensive income for the year		-	-	1,291	1,291
Transfers		-	30	(30)	-
Balance at 31 December 2014		1,000	1,457	16,186	18,643
Year ended 31 December 2015:					
Loss and total comprehensive income for the year		-	-	(484)	(484)
Transfers		-	27	(27)	-
Balance at 31 December 2015		1,000	1,484	15,675	18,159

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

These financial statements for the year ended 31 December 2015 are the first financial statements of Ferranti Technologies Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

The company has also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes;
- the requirement to disclose related party transactions and balances under Section 33 Related Party Disclosures paragraph 33.7;
- financial instrument disclosure including, categories of financial instruments, items of income, expenses and gains or losses relating to financial instruments.

Ferranti Technologies Limited is a wholly owned subsidiary of Ferranti Technologies (Holdings) Limited and the results of Ferranti Technologies Limited are included in the consolidated financial statements of Ferranti Technologies (Group) Limited which are available from Companies House, Crown Way, Maindy, Cardiff, CF13 3UZ.

1.2 Going concern

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

1.3 Turnover

Turnover comprises sales to outside customers after discounts, and excluding value added tax.

Sales of products are recognised when the significant risks and rewards of ownership of the goods are transferred to the customer, the sales price agreed and the receipt of payment can be assured.

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

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

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

No amortisation is provided against trademarks.

1.5 Tangible fixed assets

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

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

Freehold land and buildings	25 - 50 years straight line
Plant and machinery	10% - 33% straight line
Fixtures, fittings and equipment	12.5% - 20% straight line
Computer equipment	20% - 33% straight line
Motor vehicles	15% - 20% straight line

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

1.6 Impairment of fixed assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

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

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

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.8 Long-term contracts

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

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

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

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

1.9 Cash and cash equivalents

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

1.10 Financial instruments

Trade debtors

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

Other financial assets

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

Impairment of financial assets

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

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

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

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Trade creditors

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

Other financial liabilities

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

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

1.11 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

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

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.12 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

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

1.14 Retirement benefits

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

1.15 Leases

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

1.16 Government grants

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

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

1.17 Foreign exchange

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

1.18 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Stock

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

Warranty

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

3 Turnover and other revenue

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

	2015 £000	2014 £000
Other significant revenue		
Interest income	1	1
Grants received	18	22

4 Operating (loss)/profit

	2015 £000	2014 £000
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses	197	108
Government grants	(18)	(22)
Auditors remuneration	18	27
- audit of financial statements		
- other services relating to FRS102	6	-
- other services relating to taxation	8	9
Depreciation of owned tangible fixed assets	335	342
Research and development expenditure	34	57
Cost of stocks recognised as an expense	12,818	15,043
Operating lease charges	58	71

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

5 Employees

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

	2015 Number	2014 Number
Office and management	58	53
Production	93	89
Selling and distribution	11	11
	<u>162</u>	<u>153</u>

Their aggregate remuneration comprised:

	2015 £000	2014 £000
Wages and salaries	5,255	4,825
Social security costs	460	480
Pension costs	322	280
	<u>6,037</u>	<u>5,585</u>

6 Directors' remuneration

	2015 £000	2014 £000
Remuneration for qualifying services	257	256
Company pension contributions to money purchase schemes	19	22
	<u>276</u>	<u>278</u>

The remuneration of J Gaspar and E Brook are paid by the ultimate parent undertaking. Their services to this company are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to the parent undertaking.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2014 - 2).

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

Remuneration for qualifying services	96	128
Company pension contributions to defined contribution schemes	15	13
	<u>111</u>	<u>141</u>

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

7	Interest receivable and similar income	2015	2014
		£000	£000
	Interest income		
	Interest on bank deposits	1	1
		<u>1</u>	<u>1</u>
8	Interest payable and similar charges	2015	2014
		£000	£000
	Interest on bank overdrafts and loans	4	-
		<u>4</u>	<u>-</u>
9	Taxation	2015	2014
		£000	£000
	Current tax		
	UK corporation tax on profits for the current period	(169)	286
	Adjustments in respect of prior periods	(15)	(44)
	Total current tax	<u>(184)</u>	<u>242</u>
	Deferred tax		
	Origination and reversal of timing differences	-	(21)
	Adjustment in respect of prior periods	3	10
	Total deferred tax	<u>3</u>	<u>(11)</u>
	Total tax charge	<u>(181)</u>	<u>231</u>
The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:			
		2015	2014
		£000	£000
	(Loss)/profit before taxation	(665)	1,522
	Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2014: 21.50%)	(133)	327
	Tax effect of expenses that are not deductible in determining taxable profit	6	(6)
	Group relief	7	-
	Depreciation on assets not qualifying for tax allowances	-	8
	Research and development tax credit	(46)	(54)
	Under/(over) provided in prior years	(15)	(44)
	Tax expense for the year	<u>(181)</u>	<u>231</u>

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9 Taxation

(Continued)

Factors that may affect future tax charges:

The Finance (No 2) Act 2015, which was passed on 18 November 2015, provided that the main UK corporation tax rate will be reduced to 19% from 1 April 2016 and to 18% from 1 April 2020. In addition, the UK Chancellor of the Exchequer announced in his 2016 Summer Budget that from 1 April 2020, the rate will be reduced to 17%.

10 Intangible fixed assets

Trademarks
£000

Cost

At 1 January 2015 and 31 December 2015

7

Amortisation and impairment

At 1 January 2015 and 31 December 2015

-

Carrying amount

At 31 December 2015

7

At 31 December 2014

7

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2015**

11 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost						
At 1 January 2015	2,320	4,063	476	838	22	7,719
Additions	7	195	21	81	18	322
Disposals	-	(17)	-	-	-	(17)
At 31 December 2015	2,327	4,241	497	919	40	8,024
Depreciation and impairment						
At 1 January 2015	552	3,293	320	698	16	4,879
Depreciation charged in the year	44	155	52	77	7	335
Eliminated in respect of disposals	-	(17)	-	-	-	(17)
At 31 December 2015	596	3,431	372	775	23	5,197
Carrying amount						
At 31 December 2015	1,731	810	125	144	17	2,827
At 31 December 2014	1,768	771	156	140	5	2,840

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

11 Tangible fixed assets

(Continued)

The company is taking advantage of the transitional arrangements conferred by section 35.10 (d) of FRS102 which allows a first time adopter to elect to use a previous GAAP valuation of property as its deemed cost at transition date.

The previous full valuation was performed on an open market basis by Edward Symmons LLP on 31 December 2010, consultant surveyors and valuers in commercial property matters, practicing under the Royal Institution of Chartered Surveyors code of conduct and accredited to ISO 9001. Subsequent to the full valuation, Edwards Symmons consulted on a review of the property's open market value in early 2014 resulting in a downward revaluation to £1,800,000 at 31 December 2013.

12 Stocks

	2015 £000	2014 £000
Raw materials and consumables	4,917	3,660
Work in progress	2,116	1,790
	<u>7,033</u>	<u>5,450</u>

13 Debtors

	2015 £000	2014 £000
Trade debtors	3,147	4,677
Corporation tax recoverable	159	-
Amount due from group undertakings	23,995	10,004
Amounts recoverable on contracts	1,800	1,260
Prepayments and accrued income	144	180
	<u>29,245</u>	<u>16,121</u>

Trade debtors are measured at amortised cost.

All debtors fall due within one year, except for £735,000 (2014 - £657,000) within amounts recoverable on contracts which is due after more than one year.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

14 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Payments received on account	424	503
Trade creditors	2,035	2,572
Amount due to group undertakings	1,295	1,685
Corporation tax	-	144
Other taxation and social security	505	555
Other creditors	45	34
Accruals and deferred income	16,863	392
	<u>21,167</u>	<u>5,885</u>

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Accelerated capital allowances £000
Deferred tax liability at 1 January 2014	39
Deferred tax movements in prior year	
Credit to profit or loss	(11)
Deferred tax liability at 1 January 2015	<u>28</u>
Deferred tax movements in current year	
Credit to profit or loss	3
Deferred tax liability at 31 December 2015	<u>31</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015 £000	2014 £000
Deferred tax liabilities	<u>31</u>	<u>28</u>

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

16 Provisions for liabilities	Notes	2015 £000	2014 £000
Contract provisions		489	467
Other provisions		3	-
		<u>492</u>	<u>467</u>
Deferred tax liabilities	15	31	28
		<u>523</u>	<u>495</u>
Contract provisions			
£000			
At 1 January 2015			467
Additional provisions in the year			(30)
Utilisation of provision			52
At 31 December 2015			<u>489</u>

A provision of £102,000 (2014 - £120,000) has been included in the contract provision for warranty costs and sales returns. It is expected that these provisions will be utilised in the next financial year.

17 Share capital	2015 £000	2014 £000
Ordinary share capital		
Issued and fully paid		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
18 Retirement benefit schemes		
Defined contribution schemes	2015 £000	2014 £000
Charge to profit or loss in respect of defined contribution schemes	<u>322</u>	<u>280</u>

The company operates a defined contribution pension scheme for all qualifying employees. The pension cost charge for the year represents contributions payable by the company to the scheme. Contributions of £39,000 (2014 - £39,000) were payable to the scheme at the year and are included in creditors.

FERRANTI TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

19 Operating lease commitments

Lessee

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

	2015 £000	2014 £000
Within one year	61	45
Between two and five years	50	49
	<u>111</u>	<u>94</u>

20 Controlling party

The Directors regard Elbit Systems Limited, a company incorporated in Israel, as the ultimate parent undertaking and the controlling party.

The smallest group in which the results of the company are consolidated is headed by Ferranti Technologies (Group) Limited. Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF13 3UZ.

Elbit Systems Limited is the parent undertaking of the largest group of which the company is a member and for which group financial statements are prepared. The group financial statements of Elbit Systems Limited are available to the public and may be obtained from www.elbitsystems.com.

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