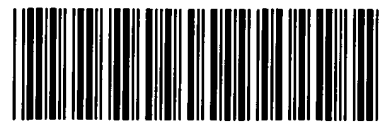


**Telespazio UK Limited**  
**(Formerly Telespazio VEGA UK Limited)**

**Company number**  
**07420777**

**Annual Report and Financial Statements**  
**For the year ended 31 December 2020**

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## Strategic report

### Principal activities and business review

The directors present their annual report and the audited financial statements for the year ended 31 December 2020. On 4 January 2021, the Company changed its name from Telespazio Vega UK Limited to Telespazio UK Limited.

The company operates in the UK and European Union providing engineering, operations, consultancy, programme and project support services and software & systems based solutions to institutional, commercial, defence, space and export markets, including:

- Ground Systems, Software Applications and Services for Earth Observation, Telecommunication, Navigation, Scientific Space Missions,
- Geo Information systems, applications and services,
- Simulations and Modelling,
- Training Solutions.

The global outbreak of COVID 19 in early 2020 caught the world by surprise and its effect on business markets was devastating. The UK went into lockdown in mid-March 2020, which resulted in Telespazio UK closing its offices to all but essential workers and transferring to distance/remote working. However, the commitment of the staff and stakeholders to this transition meant minimal disruption to the workflow and the company was able to service the client projects to the requisite standards.

In addition to the COVID-19 pandemic, the UK's planned, and ultimate, exit from the European Union on 31st December 2020 continued to create uncertainty surrounding specific program funding and increased security restrictions, which meant that particular market sectors continued to be adversely affected by the Brexit issue (namely in Copernicus and Galileo EU programmes). This uncertainty again influenced the company's potential to both win new contracts in target growth areas and grow the resultant revenues as wished. Despite the challenges, the company continued to participate in a growing number of bids in new market sectors, especially in the Geo Info Line of Business (LoB)

Operationally, the company's core area in the Satellite Systems and Operations LoB saw improved productive performance compared to the prior year despite the challenges of Brexit. During the year, the company again secured orders broadly equal to the level of recognised revenues, specifically in the campaign areas of the ESA Frame and Earth Observation. Unfortunately, the anticipated opportunities around the UK GNSS and Skynet 6 programs were delayed into 2021 and beyond.

The restricted performance of the Geo Information LoB was heavily influenced by the delays on customer decision making resulting, again, from Brexit, COVID-19 and UK government spending plans. Whilst order and revenue achievement was not in line with expectations, the LoB continued to demonstrate broadening opportunities and proposals in a range of campaign areas, not least with the successful award of ESA's Digital Twin Earth Precursor program. Given the overall increase in bidding activity, and increased group interaction, the LoB anticipate steady growth from 2021.

At the start of the September, the company changed its Chief Executive Officer, with Mark Hewer replacing Marco Folino, in a move to not only strengthen the integration with the UK Leonardo companies but to enhance and maximise opportunities with UK Government and Defence agencies.

The company continues to align its activities to that of the UK government and UK Space Agency (UKSA) Innovation and Growth Strategy, which is for UK companies to achieve 10% of the global space market by 2030.

## **Strategic report (continued)**

At the start of the year, the company hedged a significant portion of its Euro currency exposure due to currency market uncertainty following the UK Referendum result to leave the European Union. The result of this was that the company was still able to align with its profitability targets with minimal effect from foreign exchange variations.

Overall, despite strong competition and the general market conditions, the directors are satisfied that the company has done everything to react to the changing market and remain confident with its future prospects.

The company manages its capital in consultation with its sole shareholder. It uses a combination of intergroup loans and ordinary share capital to ensure it has the necessary funds to continue to finance its operations.

## **Principal risks and uncertainties**

The company's approach to managing the various risks and uncertainties that it faces is described in note 2: Summary of significant accounting policies, and note 16: Financial risk management objectives and policies. Additionally, the company makes substantial investments in enhancing existing services and introducing new services. If new services or enhancements are introduced which do not meet customer requirements or competitors introduce a rival service which better meets the requirements of the market, this may have a material impact on the long term revenue and profit. The company can be subject to significant variations and costs attributable to individual service lines and markets as a result of the timing and quantum of orders, the impact of new service lines and the applicable legislative and regulatory framework. The company endeavours to comply with local laws and regulations by employing qualified personnel and through the use of local professional advisers.

## **Key Performance Indicators ("KPIs")**

The company is a majority owned subsidiary of Telespazio SpA. The directors of Telespazio SpA manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company. However, revenue for the year was £22,341K (2019: £22,942K), a decrease of £601K (-2.62%). The profit for the financial year has decreased from a profit of £892K for the year ended 31 December 2019 to a profit of £559K for the year ended 31 December 2020.

By order of the board



Mark Hewer  
Director  
350 Capability Green  
Luton  
10 June 2021

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

The principal activities and business review; principal risks and uncertainties; and key performance indicators are contained within the Strategic Report on pages 3 and 4.

### **Results and dividends**

The 2020 financial results of the company show a profit of £559k (2019: £892k) and are set out in the Income Statement on page 12. Subsequent to the year end, the directors proposed a dividend payment of £500K (2019: £800K).

### **Share capital**

There were no changes to share capital in 2020 or 2019.

### **Going concern**

On the basis of current financial projections and facilities available, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. See note 2 for going concern and basis of preparation.

### **Directors**

The current members of the board and those who served during the year and subsequent to the year end were:

Mark Hewer (appointed 1st September 2020)

Marco Folino (resigned 1st September 2020)

Patrick Lacey

Vittorio Colella Albino

Giuseppe Aridon

Jean Marc Gardin

### **Payment of suppliers**

The company agrees the terms and conditions under which business with suppliers is conducted. It abides by these payment terms, provided that it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The number of days purchases outstanding at the year end was 105 days (2019: 120 days).

Financial risk management objectives and policies are discussed in note 16 to the accounts.

## **Directors' report (continued)**

### **Employee involvement**

The company organises staff communications both centrally and locally. The media used for centrally organised communications include the company intranet, staff bulletins, presentations and copies of press releases. At a local level, regular staff meetings are held and notices are published containing information about matters of interest within the company.

### **Discrimination**

The policy of the company is to offer the same opportunity to all suitably qualified people in respect of recruitment and career advancement, provided they are able to carry out their required duties. Employees who become disabled will, wherever possible, be retained, rehabilitated and where necessary retrained.

### **Environment**

The company has an Environmental Policy which is designed to foster a positive attitude towards the environment and to raise the awareness of staff to good environmental practices. Whilst recognising that Telespazio UK's operations themselves have limited environmental impact, the company has implemented an Environmental Management System. In conjunction with the parent company a number of initiatives including recycling schemes, light efficiency schemes and video conferencing are in place. We continue to closely monitor consumption and waste, reducing these where practicable. We aim to be within the benchmark figures issued by DEFRA.

### **Directors' indemnities**

The company maintains liability insurance for its directors and officers.

### **Charitable and political donations**

The company has a policy of supporting staff involvement in charitable organisations with paid time off or with cash donations. The company made charitable donations of £nil during the year (2019: £855). The company made no political contributions during the year and no such contributions in 2019. Telespazio UK Limited has a tradition of supporting our staff in the service of the community and has supported its staff in a number of ways for civic duties, which it shall continue to do.

## **Directors' report (continued)**

### **Disclosure of information to auditor**

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

### **Independent auditor**

KPMG LLP are expected to resign subsequent to the signing of the financial statements and EY LLP are expected to be appointed following the auditor rotation at ultimate parent company level.

By order of the Board



Mark Hewer  
Director  
350 Capability Green  
Luton  
10 June 2021

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELESPAZIO UK LTD (FORMERLY TELESPAZIO VEGA UK LTD)**

### **Opinion**

We have audited the financial statements of Telespazio UK Ltd (formerly Telespazio Vega UK Ltd) ("the company") for the year ended 31 December 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
TELESPAZIO UK LTD (FORMERLY TELESPAZIO VEGA UK LTD)  
(continued)**

- Enquiring of directors, as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that revenue from contracts with customers and services is recorded inappropriately based on the provision for risks and estimated final costs to complete on long-term contracts;
- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as the provision for risks and estimated final costs to complete on long-term contracts and provision for impairment.

We also identified a fraud risk related to the industries in which the group operates. The award of significant contracts and the pricing and profitability thereon is often determined at a governmental level. Bidding for contracts at this level often necessitates the use of local advisors which increases the risk of fraud.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Examining the contracts signed with customers, analysing the forecasting process as part of a retrospective review compared to previous periods, assessing the assumptions underlying the estimated final contract costs, agreeing costs incurred during the year and their allocation to supporting documentation and assessing the accuracy of the calculation of percentage of completion and the related recognition of contract revenue and expected losses, if any, with respect to revenue from contracts with customers and services.
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.
- Assessing the completeness and accuracy of any contract related payments.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELESPAZIO UK LTD (FORMERLY TELESPAZIO VEGA UK LTD) (continued)**

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery and corruption recognizing the nature of many of the Company's customers. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
TELESPAZIO UK LTD (FORMERLY TELESPAZIO VEGA UK LTD)  
(continued)**

- 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Matthew Radwell (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

Date: 10 June 2021

## Income Statement

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	3	22,341	22,942
Net Operating costs	4	(21,710)	(21,646)
<b>Operating profit</b>		<b>631</b>	<b>1,296</b>
Financial income /(cost)	5	106	(195)
<b>Profit before tax</b>		<b>737</b>	<b>1,101</b>
Income tax charge	6	(178)	(209)
<b>Profit for the financial year</b>		<b>559</b>	<b>892</b>

All results for the current and prior year are attributable to equity holders of the parent and relate to continuing operations.

There are no items of income or expense other than those above, consequently a statement of other comprehensive income is not presented.

The notes on pages 17 to 38 form part of these financial statements.

## Balance Sheet

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	7	114	124
Intangible assets – goodwill	9	10,001	10,001
Intangible assets – other	9	501	703
Investment in subsidiaries	8	1,100	1,100
Investment in RoU Leased Assets	10	34	171
Deferred Tax Asset	13	383	383
		<b>12,133</b>	<b>12,482</b>
<b>Current assets</b>			
Trade and other receivables	11	16,514	14,118
Cash		130	1,104
		<b>16,644</b>	<b>15,222</b>
<b>Total Assets</b>		<b>28,777</b>	<b>27,704</b>
<b>Current liabilities</b>			
Trade and other payables	12	(13,026)	(11,712)
<b>Total liabilities</b>		<b>(13,026)</b>	<b>(11,712)</b>
<b>Net current assets</b>		<b>3,618</b>	<b>3,510</b>
<b>Net assets</b>		<b>15,751</b>	<b>15,992</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	14	14,400	14,400
Retained earnings		1,351	1,592
<b>Total equity</b>		<b>15,751</b>	<b>15,992</b>

The financial statements on pages 13 to 16 were approved by the Board of Directors on 17 February 2021 and were signed on 10 June 2021 on its behalf by:



Mark Hewer  
Director

Company registered number: 07420777

The notes on pages 17 to 38 form part of these financial statements:

## Cash Flow Statement

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
<b>Operational activities</b>			
Profit before tax		737	1,101
Finance Income	5	(112)	-
Finance cost	5	6	195
<b>Operating profit</b>		<b>631</b>	<b>1,296</b>
(Increase) in trade and other receivables	11	(658)	(3,846)
Increase in trade and other payables	12	728	3,030
Depreciation and amortisation	7,9 & 10	416	364
<b>Cash flows from operating activities</b>		<b>486</b>	<b>(455)</b>
Financial charges (Interest)	5	(6)	(10)
Overseas tax paid	6	(38)	(64)
<b>Net cash inflow from investing activities</b>		<b>1,073</b>	<b>767</b>
<b>Investing activities</b>			
Capital expenditure – property, plant and equipment	7	(42)	(102)
Capital expenditure – intangible assets	9	(25)	(435)
Finance income / (cost)	5	112	(185)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>45</b>	<b>(712)</b>
<b>Financing activities</b>			
(Increase)/decrease in lendings	11	(1,738)	963
Increase in borrowings	12	446	350
Dividend payment		(800)	(1,000)
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(2,092)</b>	<b>313</b>
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(974)</b>	<b>368</b>
Cash and cash equivalents at start of year		1,104	736
<b>Cash and cash equivalents at end of year</b>		<b>130</b>	<b>1,104</b>

The notes on pages 17 to 38 form part of these financial statements.

### Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £000	Retained earnings £000	Total equity £000
<b>At 1 January 2019</b>	<b>14,400</b>	<b>1,700</b>	<b>16,100</b>
Dividend paid		(1,000)	(1,000)
Profit for the financial year		892	892
<b>At 31 December 2019</b>	<b>14,400</b>	<b>1,592</b>	<b>15,992</b>
<b>At 1 January 2020</b>	<b>14,400</b>	<b>1,592</b>	<b>15,992</b>
Dividend paid		(800)	(800)
Profit for the financial year		559	559
<b>At 31 December 2020</b>	<b>14,400</b>	<b>1,351</b>	<b>15,751</b>

The notes on pages 17 to 38 form part of these financial statements.

## Notes (to the financial statements)

### 1. Authorisation of financial statements and statement of compliance with accounting standards

Telespazio UK Limited (“the company”) is a private company, limited by shares, incorporated and domiciled in England and Wales. Leonardo SpA, a company registered in Italy, is the ultimate parent company. The immediate parent company at 31 December 2020 was Telespazio SpA.

The financial statements were authorised for issue by the board of directors on 17 February 2021 and the balance sheet was signed on behalf of the board by Mark Hewer.

The company’s financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Frameworks (“FRS 101”).

### 2. Summary of significant accounting policies

#### Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- The effect of new but not yet effective IFRS’s.
- Certain disclosures regarding revenue.
- Comparative period reconciliation tables for share capital.
- Disclosures in respect of capital management.
- Disclosures in respect of the compensation of Key Management Personnel.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020 and have been applied consistently throughout the year. The company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when indicated otherwise.

These separate financial statements contain information about Telespazio UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Telespazio SpA.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### Going concern

On the basis of current financial projections and facilities available, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future, being at least a year from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company has available financial resources together with long-standing relationships with key customers and suppliers across different geographic areas. The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, indicate that the Company is able to operate within the level of facilities in place at 31 December 2020. As a consequence, the directors believe that the Company is well-placed to manage its business risks successfully, despite the uncertainties inherent in the current economic outlook linked to COVID-19. In reaching their conclusions, the Directors have performed scenario analysis considering severe, yet plausible downside scenarios, driven by a slowdown in delivery and the potential reduction in new orders. In assessing these scenarios, the Directors have considered:

- The receipt of notifications from key customers stating that the Company must continue to deliver on their contractual obligations, despite the current COVID-19 pandemic;
- How supplies may be impacted and considered various mitigation measures that could be taken on key contracts;
- The impact on employees and how they have ensured that safe working practices have been put in place to allow the workforce to continue their work during the pandemic; and
- Cash availability and counterparty risks on deposits.

A key assumption in these conclusions is access to cash and funds that have been pooled with Leonardo SPA, the ultimate parent company. The Company has sufficient reserves but the majority of the cash generated in the Company is pooled in a Group wide pooling arrangement. On the reassessment of the pooling documentation, which confirms that the Company has a legal right to access the pooled cash as required, and in consideration of the recent public press releases made by the Group leading up to the signing of these financial statements including:

- Consideration of the results at 31 December 2020 of Leonardo SpA, that were released on 9 March 2020 and the Group's Board of Directors statements that they believe the Group's medium-long term prospects remain intact, with an order backlog of €36 billion ensuring a coverage in terms of equivalent production equal to about 2.6 years.
- Consideration of the 2021 market guidance issued by Leonardo SpA, Orders €14bn, EBITA € 1,075 - €1,125m, FOCF €100m.
- Consideration of the outlook from credit agencies, which show no change and no comments subsequent to those issued in May 2020, following the onset of the COVID-19 pandemic, suggesting a stable outlook.

Consequently, based on these considerations and discussions with group management, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Notes (continued)

### 3. Summary of significant accounting policies (continued)

#### Foreign currency translation

Transactions in foreign currencies are initially recorded in the books of the company in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the company's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows: Office equipment – 3 to 10 years. The carrying values of property, plant and equipment are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable.

#### Goodwill

Business combinations are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised.

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually and whenever events of changes in circumstances indicated that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised in the income statement.

On subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unimpaired amount of any related goodwill.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Research costs are expensed as incurred. Developed expenditure incurred on an individual project is capitalised when its future recoverability can reasonably be regarded as assured, which is considered to be only after its technical feasibility and commercial viability can be demonstrated. Capitalised development costs are amortised on a straight-line basis over a maximum of 5 years depending on the lifespan of the commercial plan.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives as follows:

- Computer software – 2 to 5 years
- Development expenditure – 2 to 5 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

#### Investment in subsidiaries

Investment in subsidiaries are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying value of investments in subsidiaries is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

#### Financial instruments

##### i. Recognition and initial measurement

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

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

##### ii. Classification and subsequent measurement

#### Financial Assets

##### a) Classification

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *b) Subsequent measurement and gains and losses*

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

*Debt investments at FVOCI* – these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

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

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### *Financial liabilities and equity*

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

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

#### **iii. Impairment**

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

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held).

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### *Measurement of ECLs*

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

#### *Credit-impaired financial assets*

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

#### *Write-offs*

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

#### **Pensions and other post-employment benefits**

The company operates defined contribution pension schemes. Contributions are recognised as an expense in the income statement in the period in which they become payable in accordance with the rules of the schemes.

#### **Employee benefits**

In accordance with the IAS 19, the company provides for accumulating absences (such as paid holiday). The cost is measured as the additional amount the company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

#### **Revenue recognition and long-term contracts**

##### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the “expected value” or “most likely amount” method. The

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

#### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

#### *Contract assets and liabilities*

Contract assets and liabilities are recognised on the basis of progress (or percentage of completion), whereby costs, revenues and margins are recognised based on the progress of production. The stage of completion is the ratio between costs incurred at the measurement date and the total expected costs for the programme or by reference to pre-defined build stages. The valuations reflect the best estimate prepared at the reporting date. The assumptions upon which the valuations are made are periodically updated. Any impact on profit or loss is recognised in the period in which the updates are made.

In the event the completion of a contract is expected to result in a loss at the gross margin level, the loss is recognised in its entirety in the period in which it becomes reasonably foreseeable.

Contract assets and liabilities are recorded net of any write-downs and customer progress billings and payments related to the contract being performed.

Progress payments in excess of costs incurred are recorded as a liability under contract liabilities within current liabilities. Amounts due from customers are recorded as contract assets within current assets.

#### **Income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- Where the deferred income tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

#### Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

See note 18 for consideration of the differences between the carrying amount and the fair value of assets and liabilities.

#### Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly. If the supplier has a substantive substitution right then the asset is not identified.
- The company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

- The company has the right to direct the use of the asset. The company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

#### *As a lessee*

The company recognises a right-of use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recording in profit or loss if the carrying amount of the right-to use asset has been reduced to zero.

The Company presents right-to-use assets that do not meet the definition of investment property separately on the Balance Sheet as "RoU leased assets" and lease liabilities within "trade and other payables".

#### **Judgements and key areas of estimation and uncertainty**

In preparing the financial statements management makes judgements, estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

- *Income tax* – In recognising income tax assets and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. The carrying values of income tax assets and liabilities are disclosed separately in the consolidated balance sheet.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- *Revenue recognition* – The revenue and profit of fixed price contracts is recognised on a percentage of completion basis when the outcome of a contract can be estimated reliably. Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also makes estimates of the total cost of professional services, or in some instances total contract costs, which are used in determining the value of amounts recoverable on contracts. Estimates are continually revised based on changes in the facts relating to each contract.
- *Impairment of goodwill* – Goodwill is tested for impairment on an annual basis. The recoverable amounts of the goodwill allocated to the company's primary segments are calculated by estimating long-term growth rates and discount rates, based on historic trends adjusted for management's estimates of future prospects. Full details of these estimates are provided in note 9 to the financial statements.
- *Development costs* - Intangible assets include non-recurring development costs incurred for software development for potential customers when generation of future economic benefits can be demonstrated and where costs can be reliably measured. Management is required to make valuations and estimates in relation to the capability of the relevant projects to generate future economic benefits as part of impairment testing of the carrying value of development assets. These assessments are made by reference to the cash-flow forecasts and business plans for each relevant project and are subject to on-going reassessment.

## Notes (continued)

### 3. Revenue

All Revenue is attributable to the principal activity of the company.

	2020 £000	2019 £000
Revenue from contracts with customers	18,599	18,316
Rendering of services	3,742	4,626
<b>Total</b>	<b>22,341</b>	<b>22,942</b>

	2020 £000	2019 £000
UK	1,378	1,114
Europe	20,963	21,828
<b>Total</b>	<b>22,341</b>	<b>22,942</b>

All revenue originates in the UK and is recognised over time.

#### Turnover from contracts with customers

##### *Contract balances*

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	Note	2020 £000	2019 £000
Receivables	11	2,751	4,819
Contract assets	11	5,473	3,525
Contract liabilities	12	(4,234)	(3,129)
<b>Total</b>		<b>3,990</b>	<b>5,215</b>

The contract assets primarily relate to the Company's right to consideration for work completed but not billed at the reporting date on contracts being recognised over time where control has transferred to the customer. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers on long term contracts for work to be completed.

The amount of revenue recognised in the current period that was included within the contract liability balance at the beginning of the prior year was £3,129K.

## Notes (continued)

### 4. Net operating costs

	2020 £000	2019 £000
<b>a. Operating expenses comprise:</b>		
Purchase of services	14,923	15,450
Depreciation and amortisation	416	369
R&D expenditure credit	(625)	(808)
Staff costs	6,996	6,551
Restructuring costs	-	1
Operating exchange costs	-	83
<b>Total</b>	<b>21,710</b>	<b>21,646</b>
<i>Included in operating expenses above:</i>		
Operating lease expenses	15	6
Net foreign exchange differences	-	83
<b>b. Fees paid to the company's auditor</b>		
Audit of these financial statements	46	37
<b>Total</b>	<b>46</b>	<b>37</b>
<b>c. Staff costs</b>		
Wages and salaries	5,904	5,557
Social security costs	595	595
Pension costs	443	360
Recharged to other group companies	(52)	(109)
Other	106	148
<b>Total</b>	<b>6,996</b>	<b>6,551</b>
<b>d. Weighted average staff numbers during the year by activity</b>		
Professional staff	92	92
Administrative staff	7	7
<b>Total</b>	<b>99</b>	<b>99</b>
<b>e. Directors' emoluments</b>		
Short term benefits	192	155
Pension contributions	15	11
<b>Total</b>	<b>207</b>	<b>166</b>

During the year, 6 directors held office (2019 5). Only two directors, Mark Hewer and Patrick Lacey, are remunerated by the company (2019: 1 director – Patrick Lacey). Remuneration of the highest paid director was:

Remuneration	151	155
Pension contributions	11	11
<b>Total</b>	<b>162</b>	<b>166</b>

Directors fees during the year were £133K (2019 £263k) for those directors not remunerated by the company directly.

## Notes (continued)

### 5. Financial cost

	2020 £000	2019 £000
<b>Financial (income)/cost</b>		
Foreign exchange (gain)/loss	(112)	185
Interest on lease liabilities (note 12)	6	10
<b>Total financial (income)/cost</b>	<b>(106)</b>	<b>195</b>

### 6. Income tax

	2020 £000	2019 £000
<b>Current tax</b>		
UK corporation tax charge for the year	140	209
Tax paid on overseas activity	38	64
Adjustment in respect of previous periods	-	319
Other current tax	-	-
<b>Deferred tax</b>		
Deferred tax credit for the year	-	(123)
Adjustment in respect of previous periods	-	(260)
<b>Total tax charge in the income statement</b>	<b>178</b>	<b>209</b>

A reconciliation of income tax expenses applicable to the accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rates is as follows:

	2020	2019
<b>Profit before tax</b>	<b>737</b>	<b>1,101</b>
At UK statutory income tax rate of 19% (2019: 19%)	140	209
Adjustment in respect of previous period	-	59
Tax paid on overseas activity	38	64
Deferred tax not previously recognised	-	(123)
<b>Total tax charge in the income statement</b>	<b>178</b>	<b>209</b>

#### Factors affecting the future tax charge

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This was reversed and the reinstatement of the 19% rate was substantively enacted on 17 March 2020. This will result in an increase in future tax charge. Deferred tax has been calculated at a rate of 19%, being the rate that was substantively enacted at the balance sheet date.

## Notes (continued)

### 7. Property, plant and equipment

	<b>Office equipment £000</b>
<b>Cost</b>	
At 1 January 2019	596
Additions	102
<b>At 31 December 2019</b>	<b>698</b>
<b>Cost</b>	
At 1 January 2020	698
Additions	42
<b>At 31 December 2020</b>	<b>740</b>
<b>Depreciation and Impairment</b>	
At 1 January 2019	513
Depreciation charge for the year	61
<b>At 31 December 2019</b>	<b>574</b>
<b>Depreciation and Impairment</b>	
At 1 January 2020	574
Depreciation charge for the year	52
<b>At 31 December 2020</b>	<b>626</b>
<b>Net book value</b>	
At 1 January 2019	83
At 31 December 2019 and 1 January 2020	124
<b>At 31 December 2020</b>	<b>114</b>
<b>8. Investments in subsidiaries</b>	
	<b>£000</b>
At 1 January 2019	1,100
At 31 December 2019	1,100
<b>At 31 December 2020</b>	<b>1,100</b>
<b>Subsidiary Investments</b>	
	<b>£000</b>
Telespazio UK SL	1,100
<b>At 31 December 2020</b>	<b>1,100</b>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The details of the wholly owned subsidiary have been disclosed in note 15.

## Notes (continued)

### 9. Intangible assets

	Goodwill £000	Computer software £000	Development costs £000	Total £000
<b>Cost</b>				
<b>At 1 January 2019</b>	<b>10,001</b>	<b>477</b>	<b>1,150</b>	<b>11,628</b>
Additions – internally developed	-	61	374	435
<b>At 31 December 2019</b>	<b>10,001</b>	<b>538</b>	<b>1,524</b>	<b>12,063</b>
<b>Cost</b>				
<b>At 1 January 2020</b>	<b>10,001</b>	<b>538</b>	<b>1,524</b>	<b>12,063</b>
Additions – internally developed	-	-	25	25
<b>At 31 December 2020</b>	<b>10,001</b>	<b>538</b>	<b>1,549</b>	<b>12,088</b>
<b>Amortisation and impairment</b>				
<b>At 1 January 2019</b>	-	<b>472</b>	<b>715</b>	<b>1,187</b>
Amortisation for the year	-	5	167	172
<b>At 31 December 2019</b>	-	<b>477</b>	<b>882</b>	<b>1,359</b>
<b>Amortisation and impairment</b>				
<b>At 1 January 2020</b>	-	<b>477</b>	<b>882</b>	<b>1,359</b>
Amortisation for the year	-	16	211	227
<b>At 31 December 2020</b>	-	<b>493</b>	<b>1,093</b>	<b>1,586</b>
<b>Net book value</b>				
At 1 January 2019	10,001	5	435	10,441
At 31 December 2019 and 1 January 2020	10,001	61	642	10,704
<b>At 31 December 2020</b>	<b>10,001</b>	<b>45</b>	<b>456</b>	<b>10,502</b>

Goodwill acquired through the business combination of the Space business (carrying value of goodwill £10,000,100 (2019 £10,000,100) has been allocated to a single cash-generating unit for impairment testing purposes. This represents the lowest level within the company at which goodwill is monitored for internal management purposes. The recoverable amounts have been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering the following year. The pre-tax discount rate applied to cash flow projections is 5.8% (2019: 8.5%). Cash flows are extrapolated using a 2% terminal growth rates after the fifth year which represents the directors' estimate of the minimum long-term growth rate. The calculation of value in use is most sensitive to the following assumptions:

- Revenue growth – revenues are expected to grow over the next five years due to the company's expansion across other UK space markets as the only Telespazio representative company in the UK and with the increased support of the wider Leonardo Group.
- Operating margin – this is expected to improve in line with the growth in revenue.

Management believes that no reasonably possible change in either of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

## Notes (continued)

### 10. Right of use leased assets

	Buildings £000	Total £000
<b>Cost</b>		
At 1 January 2019	-	-
Recognition of right of use assets on application of IFRS 16	307	307
<b>At 31 December 2019</b>	<b>307</b>	<b>307</b>
<b>Cost</b>		
At 1 January 2020	307	307
At 31 December 2020	307	307
<b>Depreciation and Impairment</b>		
At 1 January 2019	-	-
Depreciation charge for the year	136	136
<b>At 31 December 2019</b>	<b>136</b>	<b>136</b>
<b>Depreciation and Impairment</b>		
At 1 January 2020	136	136
Depreciation charge for the year	137	137
<b>At 31 December 2020</b>	<b>273</b>	<b>273</b>
<b>Net book value</b>		
At 1 January 2019	-	-
At 31 December 2019 and 1 January 2020	171	171
<b>At 31 December 2020</b>	<b>34</b>	<b>34</b>

During the prior year, the Company adopted IFRS 16 and has recognised a right of use leased asset relating to the building space that it leases from Leonardo MW Ltd. The lease agreement expires on 31 March 2021 and no extension to the lease has been agreed at the balance sheet date. The Company will continue to rent the space on a quarterly basis until a new lease agreement is reached. The Company has no other leases within the scope of IFRS 16.

### 11. Trade and other receivables

	2020 £000	2019 £000
<b>Due within one year:</b>		
Contract assets	5,473	3,525
Trade receivables	2,751	4,819
Trade amounts owed by group companies (note 15)	888	351
Financial amounts owed by group companies (note 15)	5,889	4,151
Current tax asset – R&D expenditure credit	1,201	1,147
Other debtors	312	125
<b>Total</b>	<b>16,514</b>	<b>14,118</b>

## Notes (continued)

### 11. Trade and other receivables (continued)

<b>Trade receivables due within one year:</b>		
Not yet due	2,641	3,266
0 – 60 days overdue	94	1,500
More than 60 days overdue	16	53
<b>Total</b>	<b>2,751</b>	<b>4,819</b>

Amounts owed by group undertakings are unsecured and repayable on demand. Loans made to the parent company and subsidiary company are not interest bearing.

### 12. Trade and other payables

	2020 £000	2019 £000
<b>Due within one year:</b>		
Contract liabilities	4,234	3,129
Trade creditors	114	859
Trade amounts owed to group undertakings (note 15)	1,629	1,916
Financial amounts owed to group undertakings (note 15)	3,856	3,410
Leasehold liabilities on ROU assets (note 15)	35	173
Corporation tax	140	-
Accruals	3,018	2,225
<b>Total</b>	<b>13,026</b>	<b>11,712</b>

Amounts owed to group undertakings are unsecured and repayable on demand. Loans made to the parent company and subsidiary company are not interest bearing.

### 13. Deferred tax assets

	Losses £000	Total £000
<b>At 1 January 2019</b>		
Adjustment in respect of previous periods	260	260
Credited to the income statement	123	123
<b>At 31 December 2019</b>	<b>383</b>	<b>383</b>
<b>At January 2020</b>		
Adjustment in respect of previous periods	-	-
Credited to the income statement	-	-
<b>At 31 December 2020</b>	<b>383</b>	<b>383</b>

## Notes (continued)

### 14. Issued share capital

	2020 £000	2019 £000
<b>Authorised</b>		
30,000,100 (2019: 30,000,100) ordinary shares of 48p (2019: 48p) each	14,400	14,400
	<b>Number</b>	<b>Nominal value</b>
<b>Allotted, called up and fully paid</b>		
Issued		
At 31 December 2019	30,000,100	14,400
<b>At 31 December 2020</b>	<b>30,000,100</b>	<b>14,400</b>

### 15. Related parties

The company controls the following wholly owned subsidiaries:

Principal subsidiaries	Country of incorporation and principal operation	Principal activity	Class and percentage of shares held
Telespazio UK SL	Spain	Systems integration	Ordinary 100%

Telespazio UK SL is registered at Calle de Alfonso XII, 30, 28014 Madrid, Spain.

Key management of the company comprises three directors during the year, one of which did not receive any remuneration from the company directly. The company pays fees for the other director to its immediate Parent company Telespazio SpA. Short-term employee benefits expense relating to these individuals is disclosed in note 4: Net operating costs.

The company's immediate parent at the balance sheet date is Telespazio SpA, incorporated and registered in Italy. Telespazio SpA is a joint venture between Leonardo SpA (67%) and Thales SA (33%). Financing transactions with the company's parent as on 31 December 2020, Telespazio SpA have been disclosed in note 18: Financial Instruments.

Other transactions with related parties on an aggregate basis are as follows:

	2020 £000	2019 £000
Revenues	2,723	3,058
Costs	(6,662)	(8,419)
Dividend	(800)	(1,000)
Trade amounts owed by Group Companies (note 11)	888	351
Trade amounts owed to Group Companies (note 12)	(1,629)	(1,916)
Loans to Telespazio Group Companies (note 11)	5,889	4,151
Loans from Telespazio Group Companies (note 12)	(3,856)	(3,410)

## Notes (continued)

### 15. Related parties (continued)

Group Companies with whom arms-length trading has been carried out during the year are:

Telespazio SpA  
Telespazio UK S.L.  
Telespazio Deutschland GmbH  
Telespazio France SAS  
Telespazio Iberica SL  
eGeos SpA  
GAF GmbH  
Leonardo MW Ltd  
Rartel SA  
Thales Alenia Space  
Space Opal

During the year the company made a dividend payment of £800K (2019: £1,000K), equal to £0.02667 per share (2019: £0.03333 per share).

### 16. Financial risk management objectives and policies

The company's principal financial instruments comprise loans and cash. The main purpose of these financial instruments is to finance the company's operations. The company has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

#### *Interest rate risk*

The company's exposure to market risk for changes in interest rates relates primarily to the company's cash and loan balances. The effect of a 1% increase in interest, with all other variables being held constant, on the company's profit before tax would be £21,279 (2019: £16,720).

#### *Credit risk*

The company trades only with recognised, credit worthy third parties. Receivable balances and contract assets are monitored on an on-going basis with the result that the company's exposure to bad debts is not significant and accordingly the amount determined for expected credit losses on trade receivables and contract assets is considered to be not material. With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents, the company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the company.

#### *Liquidity risk*

The company's objective is to maintain adequate cash and loan facilities to fund its activities. The company has entered into a Group Treasury Agreement with its immediate parent under which the parent company provides working capital financing on a daily basis. Resulting from the transfer there is an intercompany loan which will remain outstanding and which accrues 0% interest.

## Notes (continued)

### 16. Financial risk management objectives and policies (continued)

#### *Capital risk management*

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company monitors its capital structure in consultation with its parent company.

### 17. Financial instruments

#### **Fair Values**

All financial instruments are held at fair value. The fair values of short term assets and liabilities (including trade receivables, trade payables and borrowing), are not materially different to their book values due to their short maturity and floating rates.

The fair values of financial assets and financial liabilities, together with the carrying amounts in the balance sheet, are as follows:

	<b>Carrying amount £000</b>	<b>Fair Value £000</b>
<b>Current financial assets</b>		
Financial amounts owed by group companies	4,151	4,151
<b>As at 31 December 2019</b>	<b>4,151</b>	<b>4,151</b>
<b>Current financial liabilities</b>		
Financial amounts owed to group companies	(3,410)	(3,410)
<b>As at 31 December 2019</b>	<b>(3,410)</b>	<b>(3,410)</b>
<b>Current financial assets</b>		
Financial amounts owed by group companies	5,889	5,889
<b>As at 31 December 2020</b>	<b>5,889</b>	<b>5,889</b>
<b>Current financial liabilities</b>		
Financial amounts owed to group companies	(3,856)	(3,856)
<b>As at 31 December 2020</b>	<b>(3,856)</b>	<b>(3,856)</b>

## Notes (continued)

### 17. Financial instruments (continued)

#### Interest rate risk

The following table sets out the company's financial instruments that are exposed to interest rate risk. Loans attract interest at pre-determined rates, cash is held in non-interest bearing current accounts:

	2020 £000	2019 £000
Loans to Telespazio Group Companies	5,889	4,151
Loans from Telespazio Group Companies	(3,856)	(3,410)
Cash	130	1,104
<b>Total financial assets</b>	<b>2,163</b>	<b>1,845</b>

### 18. Ultimate parent undertaking

The company is controlled by Leonardo SpA, the ultimate controlling party and parent company. Leonardo SpA, a company incorporated in Italy and registered in Italy heads the only group in which the results of the company are consolidated. Copies of that company's annual report and consolidated accounts are available from Leonardo SpA, at Piazza Monte Grappa, 4-00195 Rome, Italy.

The company's immediate parent at the balance sheet date is Telespazio SpA, incorporated and registered in Italy. Telespazio SpA is a joint venture between Leonardo SpA (67%) and Thales (33%).