

Telespazio UK Limited

Company number
07420777

Consolidated annual report and financial statements

For the year ended 31 December 2021

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Strategic report

Principal activities and business review

The directors present their strategic report for the year ended 31 December 2021.

The company is a wholly owned subsidiary of Telespazio SpA. The company and its subsidiary (together “the group”) provide engineering, operations, consultancy, programme and project support services and software and systems-based solutions in the UK and European Union to institutional, commercial, defence, space and export markets, including:

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

From January 2021, the UK and most of the world was put into a third lockdown due to the COVID 19 pandemic. Whilst the company had in place measures and an infrastructure to enable remote working, the space market was still suffering from the continued impact and the delays that COVID 19 brought to new programmes and business opportunities. In addition, the UK and Europe were still getting to grips with the UK’s exit from the European Union, with specific uncertainty surrounding the climate arena particularly the Copernicus Programmes.

Operationally, within the company’s core Satellite Systems & Operations (SSO) Line of Business (LoB), 2021 saw the successful proposal and negotiation of the revised European Space Agency (ESA) Science Operations Frame programme from a manpower to a service based delivery, managed through the UK operation and delivered by our Spanish subsidiary, Telespazio UK SL. This continues the company’s successful legacy in providing frame related operations into ESA’s science directorate in Spain and constituted 77% of the group’s order intake in year. Unfortunately, the Brexit and Copernicus situation meant the company was unable to win a key targeted €3 million core climate services order in an area in which the company had prior successes.

2021 was a very challenging year regarding revenue generation within the Geo-Information LoB despite significant bid activity, most of which was concentrated into new market sectors. Whilst the proposals were strong in content, the willingness for early adoption was stifled with customer programmes delayed, again, due to the combination of COVID 19 and Brexit. However, a customer decision on many of those bids are delayed rather than lost. The directors consider that continued efforts in this area, together with the support of the wider group Geo-Information LoB, will bring growth in this sector in future years.

Overall, the company continued to deliver on its contractual obligations to a high level of customer satisfaction in spite of the challenges of the pandemic.

Despite the revenue generation challenges, the company continued with its strategy to set a firm platform for wider co-operation with both the Telespazio Group capability and that of the Space Alliance. The directors believe this will broaden the group’s market penetration into larger national government and military programmes and align its activities with 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)

During the year, a decision was made at Telespazio Group level to strengthen the operation with ESA in the Netherlands by consolidating its frame capability into Telespazio Belgium, which has a strong presence in ESA's European Space Research and Technology Centre (ESTEC) facility. On this basis, it was decided that ESA would be better served by the Telespazio Group if the UK company was to novate its contracts with ESTEC to the Belgian operation from 1 January 2022. This resulted in 25 members of staff employed in the Netherlands being transferred to Telespazio Belgium. The impact of this consolidation meant a reduction in the group's revenue of approximately €3.5 million per annum, plus associated profit contribution.

Overall, despite challenging 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.

Key Performance Indicators ("KPIs")

Revenue for the year was £20,795,000 (2020: £20,559,000) and profit decreased from £688,000 for the year ended 31 December 2020 to £313,000 for the year ended 31 December 2021.

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 additional key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company.

Principal risks and uncertainties

The company's approach to managing the various risks and uncertainties that it faces is described in note 24: 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 company's 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.

By order of the board



Mark Hewer
Director
350 Capability Green
Luton
28 February 2023

Directors' report

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

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 in accordance with Section 414C(11) of the Companies Act 2006.

Results and dividends

The 2021 financial results of the group show a profit of £313,000 (2020: £688,000) and are set out in the income statement on page 12.

The company paid a dividend of £500,000 in the year (2020: £800,000) and, subsequent to the year end, the directors proposed a further dividend payment of £225,000.

Going concern

On the basis of current financial projections and facilities available for the period to 31 December 2024, the directors consider that the group 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.

The group has available financial resources together with long-standing relationships with key customers and suppliers across different geographic areas. The group's forecasts and projections, taking account of potential and realistic changes in trading performance, indicate that the group is able to operate within the level of facilities in place at 31 December 2021. As a consequence, the directors believe that the group is well-placed to manage its business risks successfully, despite the uncertainties inherent in the current economic outlook. 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 group must continue to deliver on their contractual obligations, despite the COVID-19 pandemic;
- How supplies may be impacted and considered various mitigation measures that could be taken on key contracts; and
- The availability of funds pooled with Telespazio SpA.

A key assumption in these conclusions is access to cash and funds that have been pooled with Telespazio SpA, the immediate parent company, via a short term loan. The directors have confirmed that the group has a legal right to access the pooled cash as required. The directors have also considered the financial position of Telespazio SpA and concluded that the immediate parent company has sufficient liquidity to provide the group with its pooled funds if required.

Directors' report (continued)

Directors

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

Mark Hewer

Patrick Lacey

Norman Bone appointed 10 December 2021 resigned 5 December 2022

Vittorio Colella Albino resigned 10 December 2021

Giuseppe Aridon

Jean Marc Gardin

Adrian Weir appointed 24 January 2023

Employee involvement

The group organises staff communications both centrally and locally. The media used for centrally organised communications include the group 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 group.

Discrimination

The policy of the group 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 group 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 the group's operations themselves have limited environmental impact, the group has implemented an Environmental Management System. In conjunction with the parent company, Telespazio SpA, 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 group maintains liability insurance for its directors and officers.

Political donations

The group made no political contributions during the year (2020: none).

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

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

By order of the Board

A handwritten signature in black ink, appearing to be 'M. Hewer', written over a horizontal line.

Mark Hewer
Director
350 Capability Green
Luton
28 February 2023

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 group and parent company financial statements in accordance with UK adopted International Accounting Standards.

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 group and the company and of the profit or loss of the group and 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 adopted International 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Telespazio UK Limited

Opinion

We have audited the financial statements of Telespazio UK Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of total comprehensive income, the statements of financial position, the consolidated statement of changes in equity, the statements of cash flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2024.

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

Independent auditor's report to the members of Telespazio UK Limited (continued)

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Independent auditor's report to the members of Telespazio UK Limited (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework, applicable law and UK adopted International Accounting Standards and the relevant UK tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation and those laws and regulations relating to health and safety and employee matters.
- We understood how the group is complying with those frameworks by making enquiries of those charged with governance and management, including those responsible for legal and compliance matters. We corroborated our enquiries through reading board minutes and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there to be susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We assessed the programmes and controls that those charged with governance have established to address the risks identified, or that otherwise prevent, deter or detect fraud and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk to provide reasonable assurance that the financial statements were free from fraud or error.

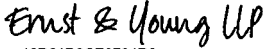
Independent auditor's report to the members of Telespazio UK Limited (continued)

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included enquiries of those charged with governance, management and legal counsel; and journal entry testing with a focus on manual journals and unusual transactions based on our understanding the business.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Jl Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 February 2023

Telespazio UK Limited
Consolidated annual report and financial statements
31 December 2021

Group statement of total comprehensive income

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Continuing operations			
Revenue	3	20,795	20,559
Other operating income	10	761	755
Cost of services recognised as an expense		(10,699)	(10,500)
Employee benefits expense	7	(9,945)	(9,578)
Depreciation and amortisation	13, 14	(276)	(416)
Other operating expenses		(61)	(18)
Finance costs	8	(178)	(6)
Finance income	9	-	112
Profit before taxation		397	908
Income tax expense	11	(84)	(220)
Profit for the year from continuing operations		313	688
Other comprehensive income			
Currency translation differences		(191)	(30)
Total comprehensive income for the year		122	658

Telespazio UK Limited
Consolidated annual report and financial statements
31 December 2021

Statements of financial position
For the year ended 31 December 2021

	Note	Group		Company	
		2021 £000	2020 £000	2021 £000	2020 £000
Assets					
Non-current assets					
Property, plant and equipment	13	214	114	214	114
Intangible assets	14	10,456	10,502	10,456	10,502
Investments in subsidiaries	15	-	-	1,100	1,100
Right-of-use assets	16	-	34	-	34
Trade and other receivables	12	452	383	452	383
		11,122	11,033	12,222	12,133
Current assets					
Trade and other receivables	17	6,014	10,174	5,907	10,625
Other current financial assets	24	6,860	5,889	6,860	5,889
Cash and cash equivalents	18	570	136	563	130
		13,444	16,199	13,330	16,644
Total assets		24,566	27,232	25,552	28,777
Equity and liabilities					
Equity					
Issued share capital	19	14,400	14,400	14,400	14,400
Retained earnings		3,014	3,201	1,076	1,351
Foreign currency translation reserve		(221)	(30)	-	-
Total equity		17,193	17,571	15,476	15,751
Current liabilities					
Trade and other payables	21	7,365	9,521	10,068	12,886
Income tax payable	11	8	140	8	140
Total liabilities		7,373	9,661	10,076	13,026
Total equity and liabilities		24,566	27,232	25,552	28,777

The financial statements on pages 13 to 42 were approved by the board of directors on 28 February 2023 and were signed on its behalf by:



Mark Hewer
Director

Company registered number: 07420777
The notes on pages 17 to 42 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2021

Group

Attributable to the equity owners of the parent				
	Issued share capital	Retained earnings	Foreign currency translation reserve	Total equity
	£000	£000	£000	£000
As at 1 January 2020	14,400	3,313	-	17,713
Profit for the period	-	688	-	688
Other comprehensive income	-	-	(30)	(30)
Total comprehensive income	-	688	(30)	658
Dividends	-	(800)	-	(800)
As at 31 December 2020	14,400	3,201	(30)	17,571
Profit for the period	-	313	-	313
Other comprehensive income	-	-	(191)	(191)
Total comprehensive income	-	313	(191)	122
Dividends	-	(500)	-	(500)
As at 31 December 2021	14,400	3,014	(221)	17,193

Company

	Issued share capital	Retained earnings	Total equity
	£000	£000	£000
As at 1 January 2020	14,400	1,592	15,992
Profit for the period	-	559	559
Other comprehensive income	-	-	-
Total comprehensive income	-	-	559
Dividends	-	(800)	(800)
As at 31 December 2020	14,400	1,351	15,751
Profit for the period	-	225	225
Other comprehensive income	-	-	-
Total comprehensive income	-	225	225
Dividends	-	(500)	(500)
As at 31 December 2021	14,400	1,076	15,476

Statements of cash flows

For the year ended 31 December 2021

	Note	Group		Company	
		2021 £000	2020 £000	2021 £000	2020 £000
Operational activities					
Profit before tax		397	908	278	737
Adjustments to reconcile profit before tax to net cash flows from operating activities:					
Depreciation and impairment of property, plant and equipment and right-of-use assets	13	84	189	84	189
Amortisation and impairment of intangible assets	14	226	227	226	227
Finance income	9	-	(112)	-	(112)
Finance costs	8	178	6	178	6
Working capital changes:					
Decrease/(increase) in trade and other receivables	17	4,092	749	4,627	(658)
(Decrease)/increase in trade and other payables	21	(2,18)	(334)	(2,357)	728
Income tax paid	11	(163)	(80)	(30)	(38)
Net cash flows from operating activities		2,634	1,553	3,006	1,079
Investing activities					
Purchase of property, plant and equipment	13	(150)	(42)	(151)	(42)
Development expenditure	14	(180)	(25)	(180)	(25)
Net cash flows used in investing activities		(330)	(67)	(331)	(67)
Financing activities					
Decrease in borrowings	22	(971)	(1,733)	(1,564)	(1,292)
Finance income	9	-	112	-	112
Finance costs	8	(178)	(6)	(178)	(6)
Dividends paid to equity holders of the parent	20	(500)	(800)	(500)	(800)
Net cash flows used in financing activities		(1,649)	(2,427)	(2,242)	(1,986)
Net increase in cash and cash equivalents		655	(941)	433	(974)
Net foreign exchange difference		(221)	(30)		
Cash and cash equivalents at 1 January		136	1,107	130	1,104
Cash and cash equivalents at 31 December		570	136	563	130

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. The consolidated financial statements of Telespazio UK Limited and its subsidiary, Telespazio UK SL, (collectively “the group”) for the year ended 31 December 2021 have been prepared in accordance with UK adopted International Accounting Standards and were authorised for issue by the board of directors on 28 February 2023 and the balance sheet was signed on behalf of the board by Mark Hewer.

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 Financial Reporting Standards, but makes amendments where necessary in order to comply with the Companies Act 2006. The company has taken the exemption provided under Section 408 of the Companies Act 2006 not to publish the company income statement and related notes.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021 and have been applied consistently throughout the year. The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when indicated otherwise.

On the basis of current financial projections and facilities available for the period to 31 December 2024, the directors consider that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The group has available financial resources together with long-standing relationships with key customers and suppliers across different geographic areas. The group’s forecasts and projections, taking account of potential and realistic changes in trading performance, indicate that the group is able to operate within the level of facilities in place at 31 December 2021. As a consequence, the directors believe that the group is well-placed to manage its business risks successfully, despite the uncertainties inherent in the current economic outlook. 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 group must continue to deliver on their contractual obligations, despite the COVID-19 pandemic;
- How supplies may be impacted and considered various mitigation measures that could be taken on key contracts; and
- The availability of funds pooled with Leonardo SpA.

A key assumption in these conclusions is access to cash and funds that have been pooled with Telespazio SpA, the immediate parent company, via a short term loan. The directors have confirmed that the group has a legal right to access the pooled cash as required. The directors have also considered the financial position of Telespazio SpA and concluded that the immediate parent company has sufficient liquidity to provide the group with its pooled funds if required.

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****Consolidation**

The consolidated financial statements include those of the company its subsidiary, each made up to 31 December. Subsidiaries are fully consolidated from the date on which control is transferred to the company. They are deconsolidated from the date that control ceases.

All intra group-group account balances, including intra-group profits, have been eliminated in preparing the consolidated financial statements.

Foreign currency translation

The functional and presentation currency of the company is Pound Sterling. 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 rate of exchange ruling at the balance sheet date. All differences are taken to the statement of total comprehensive income.

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.

The net assets of subsidiaries, with a functional currency other than Sterling, are translated into Sterling at the rate of exchange ruling at the balance sheet date. Profits and losses are translated into Sterling at average rates of exchange during the year. The resulting exchange differences are taken directly to a separate component of equity until all or part of the interest is sold, when the relevant portion of the cumulative exchange differences is recognised in the statement of total comprehensive income.

Goodwill

Business combinations are accounted for 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 to the financial statements (continued)

2. Summary of significant accounting policies (continued)

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.

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 five 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.

Investments in subsidiaries

Investments in subsidiaries are carried in the company's balance sheet 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 group becomes a party to the contractual provisions of the instrument.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

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

ii. Classification and subsequent measurement

Financial assets

a) Classification

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

Financial assets are not reclassified subsequent to their initial recognition unless the group 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.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group'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 other comprehensive income.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

On derecognition, gains and losses accumulated in other comprehensive income 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 other comprehensive income and are never reclassified to profit or loss.

Financial liabilities and equity

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

- they include no contractual obligations upon the group 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 group; 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 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 group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The group 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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

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 group's historical experience and informed credit assessment and including forward-looking information.

The group 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).

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

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****Revenue recognition and long-term contracts*****Revenue from contracts with customers***

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: 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 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 services provided. The stage of completion is the ratio between costs incurred at the measurement date and the total expected costs for the programme. The assumptions upon which the total expected costs are based 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.

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****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.

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 24 for consideration of the differences between the carrying amount and the fair value of assets and liabilities.

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****Leases**

At inception of a contract, the group 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 group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The group has the right to direct the use of the asset. The group 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 group 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 of 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 remeasured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is remeasured 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 group presents right of use assets that do not meet the definition of investment property separately on the balance sheet as "right of use assets" and lease liabilities within "trade and other payables".

Notes to the financial statements (continued)**2. Summary of significant accounting policies (continued)****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.

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 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 group's cash generating units are calculated by estimating long-term growth rates and discount rates, based on historic trends adjusted for management's estimates of future prospects. Further 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 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 ongoing reassessment.

In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- *Income tax* – In recognising income tax assets and liabilities, management makes an assessment 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.

New and amended standards and interpretations

There were new or amended standards or interpretations adopted in the year ended 31 December 2021.

New standards issued but not yet effective

None of the standards, interpretations and amendments which are effective for accounting periods beginning on or after 1 January 2022, and which have not been early adopted, are expected to have a material effect on the financial statements.

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Notes to the financial statements (continued)

3. Revenue

All revenue is attributable to the principal activity of the group.

	2021	2020
	£000	£000
Revenue from contracts with customers	16,168	16,817
Rendering of services	4,627	3,742
Total revenue	20,795	20,559
<hr/>		
	2021	2020
	£000	£000
UK	2,593	1,268
Europe	18,202	19,291
Total revenue	20,795	20,559

4. Contract balances

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade receivables	2,061	3,113	4,792	5,142
Contract assets	1,204	5,473	1,115	5,473
Contract liabilities	(2,199)	(5,475)	(2,199)	(4,234)

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 end of the prior year was £3,539,000 for the group and 2,298,000 for the company.

Notes to the financial statements (continued)

5. Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December were, as follows:

	2021	2020
	£000	£000
Within one year	14,047	10,138
More than one year	303	2,107
	14,350	12,246

6. Auditor's remuneration

	2021	2020
	£000	£000
Fees payable to the group's auditor for the audit of the group's financial statements	60	46
Audit of the group's subsidiaries	20	15
Total	80	61

There were no amounts payable to Ernst & Young LLP for non-audit services in the year (2020: nil).

7. Employee benefits expense

	2021	2020
	£000	£000
Included in cost of administrative expenses:		
Wages and salaries	8,483	8,046
Social security costs	1,002	1,000
Pension costs	429	443
Severance settlements	31	89
Total employee and benefits expense	9,945	9,578
Average staff numbers during the year by activity		
Professional staff	120	122
Administrative staff	7	7
Total	127	129

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Notes to the financial statements (continued)

7. Employee benefits expense (continued)

Directors' emoluments

Short term benefits	303	192
Pension contributions	22	15
Total	325	207

Two directors were remunerated by the company (2020: two directors). The remuneration of the highest paid director was:

Remuneration	158	151
Pension contributions	11	11
Total	169	162

Directors' fees during the year were £nil (2020: £133,000) for those directors not remunerated by the company directly.

8. Finance costs

	2021 £000	2020 £000
Foreign exchange loss	178	-
Interest on lease liabilities	-	6
Total finance costs	178	6

9. Finance income

	2021 £000	2020 £000
Foreign exchange gains	-	112
Total finance income	-	112

10. Other operating income

	2021 £000	2020 £000
Research and development expenditure credits	761	625
Foreign exchange gains	-	130
Total other income	761	755

Notes to the financial statements (continued)

11. Income tax

	2021	2020
	£000	£000
Current tax		
UK corporation tax charge for the year	53	140
Overseas tax	31	80
Deferred tax		
Deferred tax charge for the year	-	-
Total tax charge in the income statement	84	220

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:

Profit before tax	363	907
At UK statutory income tax rate of 19% (2020: 19%)	75	172
Effect of tax rates in overseas jurisdictions	9	48
Total tax charge in the income statement	84	220

Factors affecting the future tax charge

In the UK Budget on 3 March 2021, it was announced that the main rate of UK corporation tax will rise from 19% to 25% from 1 April 2023..

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Notes to the financial statements (continued)

12. Trade and other receivables – non-current

	Group £000	Company £000
Other debtors	452	452
At 31 December 2021	452	452

13. Property, plant and equipment

Group and company	Office equipment £000
Cost	
At 1 January 2020	698
Additions	42
At 31 December 2020	740
Additions	150
At 31 December 2021	890
Depreciation and impairment	
At 1 January 2020	574
Depreciation charge for the year	52
At 31 December 2020	626
Depreciation charge for the year	50
At 31 December 2021	676
Net book value	
As at 1 January 2020	124
At 31 December 2020	114
At 31 December 2021	214

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Notes to the financial statements (continued)

14. Intangible assets

Group	Goodwill £000	Computer software £000	Development costs £000	Total £000
Cost				
At 1 January 2020	10,001	538	1,524	12,063
Additions – internally developed	-	-	25	25
At 31 December 2020	10,001	538	1,549	12,088
Additions – internally developed	-	-	180	180
At 31 December 2021	10,001	538	1,729	12,268
Amortisation and impairment				
At 1 January 2020	-	477	882	1,359
Amortisation for the year	-	16	211	227
At 31 December 2020	-	493	1,093	1,586
Amortisation for the year	-	27	199	226
At 31 December 2021	-	520	1,292	1,812
Net book value				
At 1 January 2020	10,001	61	642	10,704
At 31 December 2020	10,001	45	456	10,502
At 31 December 2021	10,001	18	437	10,456

Company	Goodwill £000	Computer software £000	Development costs £000	Total £000
Cost				
At 1 January 2020	10,001	538	1,524	12,063
Additions – internally developed	-	-	25	25
At 31 December 2020	10,001	538	1,549	12,088
Additions – internally developed	-	-	180	180
At 31 December 2021	10,001	538	1,729	12,268
Amortisation and impairment				
At 1 January 2020	-	477	882	1,359
Amortisation for the year	-	16	211	227
At 31 December 2020	-	493	1,093	1,586
Amortisation for the year	-	27	199	226
At 31 December 2021	-	520	1,292	1,812
Net book value				
At 1 January 2020	10,001	61	642	10,704
At 31 December 2020	10,001	45	456	10,502
At 31 December 2021	10,001	18	437	10,456

Notes to the financial statements (continued)

14. Intangible assets and goodwill (continued)

The goodwill arose on the business combination of the Selex Systems Integration Ltd's space business (carrying value of goodwill £10,001,000 (2020 £10,001,000) and has been allocated to a single cash-generating unit for impairment testing purposes. This represents the lowest level within the group 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 were based on financial budgets approved by senior management covering the following five years. Cash flows were extrapolated using a 2.0% terminal growth rates after the fifth year which represents the directors' estimate of the minimum long-term growth rate. The pre-tax discount rate applied to the cash flow projections was 6.0% (2020: 5.8%).

The calculation of value in use is most sensitive to the following assumptions:

- Revenue growth – revenue is expected to grow over the next five years due to the company's expansion across the UK space market 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.

15. Investments

Subsidiaries

The company's investment in subsidiaries is as follows.

Name	Principal activities	Country of incorporation	% equity interest	
			2021	2020
Telespazio UK SL	Services	Spain	100	100

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

Notes to the financial statements (continued)

16. Right of use assets

Group and company	Buildings £000	Total £000
Cost		
At 1 January 2020	307	307
Additions	-	-
At 31 December 2020	307	307
Additions		
At 31 December 2021		
Depreciation and impairment		
At 1 January 2020	136	136
Depreciation charge for the year	137	137
At 31 December 2020	273	273
Depreciation charge for the year	34	34
At 31 December 2021	307	307
Net book value		
At 1 January 2020	171	171
At 31 December 2020	34	34
At 31 December 2021	-	-

The right of use asset related to the building space that the company leased from Leonardo UK Ltd. The lease agreement expired 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.

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Notes to the financial statements (continued)

17. Trade and other receivables

	2021	Group	2021	Company
	£000	2020	£000	2020
		£000		£000
Due within one year:				
Trade receivables	1,663	2,689	1,663	2,689
Trade amounts owed by group companies	398	424	398	949
Contract assets	1,204	5,473	1,115	5,473
Current tax asset – R&D expenditure credit	1,893	1,201	1,893	1,201
Other debtors	856	387	838	313
Total	6,014	10,174	5,907	10,625
Trade receivables due within one year:				
Not yet due	1,272	2,641	1,272	2,641
0 – 60 days overdue	207	94	207	94
More than 60 days overdue	184	16	184	16
Total	1,663	2,751	1,663	2,751

18. Cash and short term deposits

	Group	Company	2021	2020
	2021	2020	2021	2020
	£000	£000	£000	£000
Cash at bank and on hand	570	136	563	130

Notes to the financial statements (continued)

19. Issued share capital

	2021	2020
	£000	£000
Authorised		
30,000,100 (2020: 30,000,100) ordinary shares of 48p (2020: 48p) each	14,400	14,400
	Number	Nominal value
Allotted, called up and fully paid		
Issued		
At 31 December 2020	30,000,100	14,400
At 31 December 2021	30,000,100	14,400

20. Distributions made and proposed

	2021	2020
	£000	£000
Cash dividends on ordinary shares declared and paid:		
Final dividend	500	800

During the year the company made a dividend payment of £500,000 (2020: £800,000), equal to £0.01667 per share (2020: £0.02667 per share).

On 30 August 2022 the company approved a further dividend of £225,000.

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Notes to the financial statements (continued)

21. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade payables - third parties	1,017	114	1,009	114
Trade payables – group undertakings	168	475	169	1,744
Loan from subsidiary undertaking	-	-	3,263	3,856
Contract liabilities	2,199	5,475	2,199	4,234
Lease liabilities	-	35	-	35
Accruals	3,981	3,422	3,428	2,903
Total	7,365	9,521	10,068	12,886

Amounts owed to group undertakings are unsecured and repayable on demand. The loan from the subsidiary company is not interest bearing.

22. Related parties

Group		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Parent company	2021	349	155	136	117
	2020	474	274	275	182
Other related parties	2021	420	1,405	262	52
	2020	248	1,644	149	179
	2021	769	1,560	398	169
	2020	722	1,918	424	361
<hr/>					
Loans to parent	2021			6,860	
	2020			5,889	

Notes to the financial statements (continued)

22. Related parties (continued)

Company		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Parent company	2021	349	155	136	117
	2020	474	274	275	296
Subsidiary	2021	1,491	2,919	2	1
	2020	2,019	4,662	525	1,269
Other related parties	2021	159	1,201	260	51
	2020	248	1,576	149	179
	2021	1,999	4,275	398	169
	2020	2,741	6,512	949	1,744
<hr/>					
Loans to parent	2021			6,860	
	2020			5,889	

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

Compensation of key management personnel of the Group

	2021	2020
	£000	£000
Short term employee benefits	279	176
Post-employment pension and medical benefits	25	17
Other benefits	21	14
	325	207

Notes to the financial statements (continued)**23. Financial risk management objectives and policies**

The group's principal financial instruments comprise loans and cash. The main purpose of these financial instruments is to finance the company's operations. The group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the group'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 group's exposure to market risk for changes in interest rates relates primarily to the company's cash and loan balances.

Credit risk

The group trades only with recognised, credit worthy third parties. Receivable balances and contract assets are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the group, which comprise cash and cash equivalents, the group'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 group.

Liquidity risk

The group's objective is to maintain adequate cash and loan facilities to fund its activities. The group has entered into a Group Treasury Agreement with its immediate parent under which the parent company provides working capital financing on a daily basis.

Capital risk management

The group's objectives when managing capital are to safeguard the group'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 group monitors its capital structure in consultation with its parent company.

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Notes to the financial statements (continued)

24. Financial instruments

Fair values

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

	Group		Company	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Current financial assets				
Financial amounts owed by group companies	5,889	5,889	5,889	5,889
As at 31 December 2020	5,889	5,889	5,889	5,889
Current financial assets				
Financial amounts owed by group companies	6,860	6,860	6,860	6,860
As at 31 December 2021	6,860	6,860	6,860	6,860
Current financial liability				
Financial amounts owed to group companies	-	-	3,891	3,891
As at 31 December 2020	-	-	3,891	3,891
Current financial liability				
Financial amounts owed to group companies	-	-	3,263	3,263
As at 31 December 2021	-	-	3,263	3,263

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.

Interest rate risk

The following table sets out the group and 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:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Loans to Telespazio Spa	6,860	5,889	6,860	5,889
Loans from Telespazio SL	-	-	(3,263)	(3,856)
Cash	570	136	563	130
Total financial assets	-7,430	-6,025	4,160	2,163

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

Notes to the financial statements (continued)

24. Financial instruments (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in base points	Effect on profit before tax
2021		
Euro	0.5%	30
Euro	-0.5%	(30)
2020		
Euro	0.5%	34
Euro	-0.5%	(34)

Foreign currency risk

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in EUR to GBP exchange rates, with all other variables held constant. The impact on the group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The group's exposure to foreign currency changes for all other currencies is not material.

	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
2021	+5%	(419)	(419)
2021	-5%	463	463
2020	+5%	(365)	(365)
2020	-5%	404	404

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment showing a significantly higher volatility than in prior years.

Notes to the financial statements (continued)

25. Parent undertakings

The company's immediate parent at the balance sheet date is Telespazio SpA 00156 Roma-Via Tiburtina, 965, incorporated and registered in Italy. Telespazio SpA is a joint venture between Leonardo SpA (67%) and Thales SA (33%).