

**Airbus Military UK Limited**

**Report and Financial Statements**

**31 December 2022**

Registered number: 08032298



## **COMPANY INFORMATION**

### **Directors**

I.C. Burrett

R.J. Franklin

C.A. Brice

### **Company Secretary**

J.A. Rose

### **Auditors**

Ernst & Young LLP

The Paragon

Counterslip

Bristol

BS1 6BX

### **Registered Office**

Britannia House,

West Oxfordshire Business Park,

Carterton

OX183YJ

**Airbus Military UK Limited**  
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# Airbus Military UK Limited Strategic Report

Registered number: 08032298

## **Principal activity**

The principal activity of the Company is the maintenance of aircraft and related services.

## **Business Review**

The Profit for the year, after taxation is £1,439,239 (2021 £1,299,056).

The Airbus group manage their operations on a divisional basis. For these reasons the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for the understanding of the development, performance or position of the Airbus Military UK Limited business.

The Company's turnover is entirely derived from inter-group business, primarily for the local delivery of contracts held between another group company and the UK MoD. The Company's costs are fully recovered as part of its Service Level Agreement and programme directives on a cost plus basis at an agreed margin,

## **Principal risk and uncertainties**

The Directors consider the Company's exposure to price risk, interest rate risk, credit risk, foreign currency risk, liquidity risk and cash flow risk to be relatively low, and consider information relating to their financial risk management objectives and policies to be insignificant for the assessment of assets, liabilities, financial position and profit and loss of the Company.

### ***Interest rate risk***

We have identified that there is a risk due to the interest rate fluctuations as the rate is linked to EURIBOR, however, the Company is able to recover all costs from internal customers, therefore, the risk is transferred to other entities within the group.

### ***Credit, liquidity and cash flow risk***

We have considered the credit risk to be insignificant and mitigated based on recovering all costs from internal customers, therefore, the risk is transferred to other entities within the group. The Company also utilises the cash and overdraft borrowing facilities provided by Airbus S.E. group to manage any liquidity and cash flow risks faced.

By order of the Board



Christopher Brice  
Director

Date: 11 July 2023

**Airbus Military UK Limited**  
**Director's Report**

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**Registered number: 08032298**

The Directors present their directors report for the year ended 31 December 2022.

The Directors consider the Company's exposure to price risk, interest rate risk, credit risk, foreign currency risk, liquidity risk and cash flow risk to be relatively low, and consider information relating to their financial risk management objectives and policies to be insignificant for the assessment of assets, liabilities, financial position and profit and loss of the Company.

**Dividends**

£nil dividend paid during the year (2021 £nil).

**Going Concern**

The Company participates in the Airbus S.E group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary undertakings. This includes an automatic cash pooling arrangement and the ability of the Company to drawn down funds from the treasury department to meet its operational requirements.

The Company's primary activity is direct service support including maintenance, material support, and technical services for the UK RAF fleet of A400M aircraft. This is delivered through the UK Government contract "A400M UK Medium Term In-Service Support (A400M/097)" which runs until September 2026. In addition, the Company support post-design services to AirTanker. Both contracts are ultimately to support the RAF's large aircraft fleet and are supported by long term contracts with the UK MoD.

The Directors have also assessed the impact of the Covid-19 virus on business operations and customer requirements. The company has ensured the introduction of safe working practices for staff and stakeholders. The risk impact is understood, well managed and is no longer a feature of the Company's risk register.

The company has a continuing Service Level Agreement (SLA) with ADS SAU, on behalf of AMSL which is Airbus' primary contracting entity for the "A400M UK Medium Term In-Service Support (A400M/097)" contract. Both wholly owned Airbus entities are incorporated in Spain. The Company has received a "letter of comfort" that the SLA will continue for a period of at least the next 12 months from date of approval of the balance sheet.

Airbus S.E Treasury have issued a liquidity confirmation letter which confirms that for a period of at least the next 12 months from date of approval of the balance sheet, facilities of up to €6m will be available to the Company. The directors confirm the company is operating within this arrangement and are forecast to do so throughout the going concern outlook period. The net treasury position as at 31 December 2022 was £6,609,735 (Equivalent to €7,452,343) owed by Group (See Note 12). The Directors have concluded that Airbus S.E. will be able to provide such facilities due to Airbus S.E. strong credit rating as assessed by external credit agencies.

**Airbus Military UK Limited**  
**Statement of Directors' responsibilities**

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**Registered number: 08032298**

The Directors do not foresee any negative impact due to the ongoing conflict in Ukraine: Airbus Group has a programme in place to ensure material sourced from sanctioned nations have alternative sourcing and, clearly, the utilisation of the A400M (and the MTC support contract) will be required going forward. The directors have considered the severe downside situation which would result in the Company running out of available cash. Given the treasury position at year end this would occur should a period of 6 months of business costs be paid by the Company without receipt of any cash generated from business activities. The directors consider this to be an implausible scenario given the significant period of time as well as the timing mitigation available associated with the level of intercompany relationships for the Company.

As a result of the assessments made, the directors' conclude that the Company expect that the Company will be able to continue in operational existence as a going concern for a period of at least 12 months to 11<sup>th</sup> July 2024.

**Directors of the Company**

The members of the Board who served during the year and subsequently are as follows:

I.C.Burrett  
C.A.Brice  
R.J.Franklin

J.M Rawle resigned as of 30 June 2022.

C.A.Brice was appointed as a director as of 26 Feb 2023.

The Company has indemnified the director's against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and at the date of approving the director's report.

**Environment**

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

**Financial Instruments**

The Company finances its activities with a combination of group loans, cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. Financial instruments give rise to foreign currency, interest rate, credit and liquidity risk, information on how these risks arise are set out in the Strategic Report.

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#### **Statement of director's responsibilities**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Provision of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that the directors have taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

**Airbus Military UK Limited**  
**Statement of Directors' responsibilities**

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Registered number: 08032298

**Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

By order of the Board



Christopher Brice  
Director

Date: 11 July 2023



## Independent auditors report to the members of Airbus Military UK Limited

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Registered number: 08032298

### Opinion

We have audited the financial statements of Airbus Military UK Limited for the year ended 31 December 2022 which comprise the Income Statement, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

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

### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period ending 11 July 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 company's ability to continue as a going concern.

### Other information

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

## Independent auditors report to the members of Airbus Military UK Limited (continued)

Registered number: 08032298

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 directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

## Independent auditors report to the members of Airbus Military UK Limited (continued)

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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. Our procedures were as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, International Financial Reporting Standards, Financial Reporting Standards FRS101 and UK tax legislation. In addition, the Company has to comply with laws and regulations relating to General Data Protection Regulations, the UK Bribery Act, Anti-Money Laundering Legislation, The Quality Act 2010 (Gender Pay Gap Information) Regulations 2017 and Competition Laws.
- We understood how Airbus Military UK Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance and the company secretary to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of board minutes and correspondence with relevant authorities, including HMRC where applicable.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and through assessing revenue as a fraud risk through manipulating the classification of costs incurred. Our procedures to address this involved:
  - Understanding the revenue recognition process, the internal pricing policy and how it is applied, including relevant controls;
  - Testing of the costs in the year by selecting a sample of costs and expenses recognised in the revenue and testing whether the classification, valuation and timing was appropriate.
  - Testing of revenue cut-off at the year-end by selecting a sample of revenue transactions and testing whether the revenue was recorded in the correct period through counterparty confirmation to confirm the period that the revenue relates to, and
  - We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition, investigating journals posted to revenue as part of our journal entry testing procedures, with focus on transactions recorded at or close to the year-end date.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes and correspondence with relevant authorities, inquiries of management and those charged with governance and legal counsel. Where the risk was considered higher, we performed audit procedures to address each fraud risk. These procedures included testing journals identified by specific risk criteria, and testing specific transactions back to source documentation or independent confirmation.

## Independent auditors report to the members of Airbus Military UK Limited (continued)

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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.

*Ernst & Young LLP*

Ryan Squires (Senior statutory auditor)

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

Bristol

Date: 11 July 2023

Airbus Military UK Limited  
Income Statement  
For the year ended 31 December 2022

Registered number: 08032298

		2022 £	2021 £
<b>Turnover</b>	3	27,119,737	22,547,086
<b>Cost of sales</b>		(23,633,521)	(19,485,568)
<b>Gross Profit</b>		3,486,216	3,061,518
<b>Administration expenses</b>		(1,804,521)	(1,683,500)
<b>Operating Profit</b>		1,681,695	1,378,018
<b>Interest net (expense) / income</b>	5	(73,112)	-
	6		256
<b>Profit on ordinary activities before, taxation</b>		1,608,583	1,378,274
<b>Tax on profit on ordinary activities</b>	8	(169,344)	(79,218)
<b>Retained profit for the financial year</b>		1,439,239	1,299,056

All of the above are derived from the continuing activities of the Company.

**Statement of comprehensive income**

	2022 £	2021 £
<b>Profit for the financial year</b>	1,439,239	1,299,056
<b>Total comprehensive income</b>	1,439,239	1,299,056

**Airbus Military UK Limited**  
**Statement of Changes in Equity**  
For the year ended 31 December 2022

Registered number: 08032298

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2021	1	2,039,034	2,039,035
Profit for the financial year	-	1,299,056	1,299,056
	<hr/>	<hr/>	<hr/>
At 31 December 2021	1	3,338,090	3,338,091
	<hr/>	<hr/>	<hr/>
Profit for the financial year	-	1,439,239	1,439,239
	<hr/>	<hr/>	<hr/>
At 31 December 2022	1	4,777,329	4,777,330
	<hr/>	<hr/>	<hr/>

Airbus Military UK Limited  
Balance Sheet  
For the year ended 31 December 2022

Registered number: 08032298

	Notes	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	9	167,297	197,773
Right of Use assets	10	6,519,376	5,637,680
Deposits	11	603,568	603,568
		<u>7,290,241</u>	<u>6,439,021</u>
<b>Current assets</b>			
Stocks		242,240	183,341
Debtors falling due within one year	12	15,526,645	7,430,699
Debtors falling due after one year	12	282,016	310,616
Cash		336	-
		<u>16,051,237</u>	<u>7,924,656</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	13	(12,702,947)	(6,000,063)
<b>Net current assets</b>		<u>3,348,290</u>	<u>1,924,593</u>
<b>Total assets less current liabilities</b>		<u>10,638,531</u>	<u>8,363,614</u>
Creditors: amounts falling due after more than one year	14	(5,861,201)	(5,025,523)
<b>Net assets</b>		<u>4,777,330</u>	<u>3,338,091</u>
<b>Capital and reserves</b>			
Called-up share capital	15	1	1
Retained earnings		4,777,329	3,338,090
<b>Total equity</b>		<u>4,777,330</u>	<u>3,338,091</u>

Approved by the Board on and signed on its behalf by:



Christopher Brice  
Director

Date: 11 July 2023

Registered number: 08032298

## **1 Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of Airbus Military UK Limited (the Company) for the year ended 31 December 2022 were authorised for issue by the board of directors on the date shown on the balance sheet.

Airbus Military UK Limited is a Company limited by shares, incorporated and domiciled in England and Wales.

The address of the registered office is given on the Company information page. The nature of the Company's operations and its principal activities are set out on page 2.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101) and in accordance with applicable accounting standards.

## **2 Accounting policies**

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

### **2.1 Basis of preparation**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment, because the share based payment arrangement concerns the instruments of another entity;
- b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - i. paragraph 79(a)(iv) of IAS 1;
  - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - iii. paragraph 118(e) of IAS 38 Intangible Assets;
- e) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111, and 134-136 of IAS 1 Presentation of Financial Statements;
- f) the requirements of IAS 7 Statement of Cash Flows;
- g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and errors;



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## 2.1 Basis of preparation (continued)

- h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of assets.

## 2.2 Going concern

The Company participates in the Airbus S.E group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary undertakings. This includes an automatic cash pooling arrangement and the ability of the Company to drawn down funds from the treasury department to meet its operational requirements.

The Company's primary activity is direct service support including maintenance, material support, and technical services for the UK RAF fleet of A400M aircraft. This is delivered through the UK Government contract "A400M UK Medium Term In-Service Support (A400M/097)" which runs until September 2026. In addition, the Company support post-design services to AirTanker. Both contracts are ultimately to support the RAF's large aircraft fleet and are supported by long term contracts with the UK MoD.

The Directors have also assessed the impact of the Covid-19 virus on business operations and customer requirements. The company has ensured the introduction of safe working practices for staff and stakeholders. The risk impact is understood, well managed and is no longer a feature of the Company's risk register.

The company has a continuing Service Level Agreement (SLA) with ADS SAU, on behalf of AMSL which is Airbus' primary contracting entity for the "A400M UK Medium Term In-Service Support (A400M/097)" contract. Both wholly owned Airbus entities are incorporated in Spain. The Company has received a "letter of comfort" that the SLA will continue for a period of at least the next 12 months from date of approval of the balance sheet.

Airbus S.E Treasury have issued a liquidity confirmation letter which confirms that for a period of at least the next 12 months from date of approval of the balance sheet, facilities of up to €6m will be available to the Company. The directors confirm the company is operating within this arrangement and are forecast to do so throughout the going concern outlook period. The net treasury position as at 31 December 2022 was £6,609,735 (Equivalent to €7,452,343) owed by Group (See Note 12). The Directors have concluded that Airbus S.E. will be able to provide such facilities due to Airbus S.E. strong credit rating as assessed by external credit agencies.

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## **2.2 Going concern (continued)**

The Directors do not foresee any negative impact due to the ongoing conflict in Ukraine: Airbus Group has a programme in place to ensure material sourced from sanctioned nations have alternative sourcing and, clearly, the utilisation of the A400M (and the MTC support contract) will be required going forward. The directors have considered the severe downside situation which would result in the Company running out of available cash. Given the treasury position at year end this would occur should a period of 6 months of business costs be paid by the Company without receipt of any cash generated from business activities. The directors consider this to be an implausible scenario given the significant period of time as well as the timing mitigation available associated with the level of intercompany relationships for the Company.

As a result of the assessments made, the Directors' conclude that the Company expect that the Company will be able to continue in operational existence as a going concern for a period of at least 12 months to 11<sup>th</sup> July 2024.

## **2.3 Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Judgements within business include deferred tax asset recoverability and useful economic life of fixed assets, however these are not considered to have a significant effect on amounts recognised in the financial statements.

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Management judgment is also required to determine the useful economic lives of fixed assets, based upon the likely period of usage of the fixed assets.

## **2.4 Accounting policies**

### **Foreign currency translation**

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Income Statement.

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## **2.4 Accounting policies (continued)**

### **Intangible fixed assets and amortisation**

Intangible fixed assets are stated at cost less amortisation. amortisation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Software - 3 years

Intangible assets are assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period is reviewed each financial year end. Changes in the expected useful life or expected pattern of consumption of future economic benefit embodied in the asset is accounted for by changing the amortisation period or method as appropriate, and treated as a change in accounting estimate.

### **Tangible fixed assets and depreciation**

Tangible fixed assets are recorded at historic cost. Depreciation is provided on all tangible fixed assets, on a straight line basis at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements - 5-10 years

Plant and machinery - 3-5 years

Furniture, fixtures and fittings- 5 years

The carrying values of tangible fixed assets are reviewed for impairment if any events or changes in circumstance indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

### **Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement.

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## **2.4 Accounting policies (continued)**

### **Trade and other debtors**

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through the Income Statement when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

### **Stock and long term contracts in progress**

Stocks are stated at the lower of cost and net realisable value. Cost includes all cost incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables – purchase cost.

### **Taxation**

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 tax**

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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#### **2.4 Accounting policies (continued)**

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it is derived from items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it is derived from items that are credited or charged directly to equity. Otherwise income tax is recognised in the Income Statement.

#### **Interest bearing loans and borrowings**

All interest-bearing loans and borrowings are recognised at amortised cost. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by the repayments made in the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised in the period costs are recognised. The Company recovers costs from internal customers on a cost plus basis at an agreed margin.

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## **2.4 Accounting policies (continued)**

### **IFRS 16 Leases**

#### **Right of use assets**

The Company leases mainly real estate assets, cars and equipment.

The Company recognises a right-of-use asset at the lease commencement date. The discount rate used to determine the right of use asset is calculated based on the incremental borrowing rate at inception of the lease. The Company calculates the rate applicable to each lease contract on the basis of the lease duration. Right of use assets are depreciated using a straight line method from commencement date to the earlier of the end of the useful life or the end of the lease terms.

#### **Lease Liability**

At the commencement date of the lease, the Company recognises lease liabilities at the present value of lease payments paid over the lease term. Discount rates applied are based on incremental borrowing rates to take account of any specific economic environment. These discount rates are determined with respect to the remaining terms of leases from the date of first time application.

#### **Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low-value assets less than £5,000. The expense in relation to short-term and low-value assets is insignificant. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

## **3 Turnover**

Turnover, excluding VAT, includes the recharge of specific costs to Airbus Defence and Space S.A.U at an agreed mark up.

All turnover in the year arose in the United Kingdom.

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**4 Operating profit**

Operating profit is stated after charging/(crediting):

	2022 £	2021 £
Auditor's remuneration:		
- Audit services	19,000	20,000
Depreciation of owned assets	102,351	171,047
Foreign exchange (gain)	(9,763)	(38,481)
	<u>          </u>	<u>          </u>

**5 Interest payable**

	2022 £	2021 £
Interest (paid) on amounts owed to group undertakings	(73,112)	-
	<u>          </u>	<u>          </u>
	(73,112)	-
	<u>          </u>	<u>          </u>

**6 Interest receivable**

	2022 £	2021 £
Interest received on amounts owed to group undertakings	-	256
	<u>          </u>	<u>          </u>
	-	256
	<u>          </u>	<u>          </u>

**7 Directors' remuneration and employees**

During the year the Company has been charged £316,308 (2021: £335,498) by another group Company in relation to director qualifying services provided. No directors' remuneration was paid to any director during the period by the Company.

The Company has no employees (2021: nil).

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**8 Tax on profit on ordinary activities**

	2022	2021
	£	£
<i>(a) Tax in the income statement:</i>		
<b>Current income tax</b>		
UK corporation tax	(144,333)	(128,162)
Amounts overprovided in previous periods	3,589	4,759
<b>Total current income tax</b>	<b>(140,744)</b>	<b>(123,403)</b>
<b>Deferred tax:</b>		
Origination & reversal of temporary differences	(26,935)	(28,016)
Impact of change in tax laws and rates	(1,665)	72,201
<b>Total deferred tax</b>	<b>(28,600)</b>	<b>44,185</b>
<b>Total tax (charge) in the income statement</b>	<b>(169,344)</b>	<b>(79,218)</b>
<i>(b) Reconciliation of the total tax charge:</i>		
Tax expense in the income statement for the year is lower than the standard rate of corporation tax of 19% (2021: 19%). The differences are reconciled below:		
Profit before income tax	1,608,583	1,378,274
Tax calculated at UK standard rate of corporation tax in the UK of 19% (2021:19%)	(305,631)	(261,872)
Disallowed expenses and non-taxable income	(12,577)	(15,744)
Change in tax laws and rate	942	65,477
Group relief	144,333	128,162
Prior year corporation tax credit	3,589	4,759
<b>Total tax (charge) reported in the income statement</b>	<b>(169,344)</b>	<b>(79,218)</b>

*(c) Change in Corporation Tax rate*

During FY21, it was announced that the rate of corporation tax will increase to 25% from 1 April 2023. This has been substantively enacted and therefore, the deferred tax asset has been recognised partially at 19% and partially at 25%, dependent on its forecast utilisation.



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	2022 £	2021 £
<i>(d) Deferred tax asset</i>		
The deferred tax included in the balance sheet relates to the following:		
Accelerated capital allowances	263,266	294,991
Provisions	18,750	15,625
	<u>282,016</u>	<u>310,616</u>
<b>Disclosed in the balance sheet</b>		
Deferred tax asset (included in Debtors – Note 11)	<u>282,016</u>	<u>310,616</u>

The deferred tax asset predominantly relates to Accelerated Capital Allowances, and due to the reducing balance nature of capital allowances is expected to be utilised over several years. Capital allowances are expected to be claimable in full due to taxable profit forecasts being significantly higher, hence the deferred tax asset has been recognised in full. A possible change in the key assumptions underlying taxable profit forecasts could occur if the current contract was not renewed in 2026, resulting in an estimated £152k of the £282k deferred tax asset potentially not being recoverable. Management still consider it reasonable to recognise the deferred tax asset in full as the expectation is that the current contract will be renewed, and that sufficient taxable profits will remain to continue to claim reducing capital allowances in full, hence supporting full recognition of the deferred tax asset.

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**9 Tangible Assets**

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£
<b>Cost:</b>				
At 1 January 2022	1,057,927	1,534,281	139,374	2,731,582
Additions	-	71,875	-	71,875
Disposals (1)		(1,110,642)	(133,788)	(1,244,430)
At 31 December 2022	1,057,927	495,514	5,586	1,559,027
<b>Depreciation:</b>				
At 1 January 2022	(878,392)	(1,516,770)	(138,647)	(2,533,809)
Charged during year	(80,650)	(20,974)	(727)	(102,351)
Disposals		1,110,642	133,788	1,244,430
At 31 December 2022	(959,042)	(427,102)	(5,586)	(1,391,730)
<b>Net book value:</b>				
At 31 December 2022	98,885	68,412	-	167,297
At 31 December 2021	179,535	17,511	727	197,773

(1) Disposal in the period related to a review of older assets, which were fully depreciated and written off.

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**10 IFRS 16 Right-of-Use-assets**

	<i>Right-of-Use Land &amp; buildings £</i>	<i>Right-of-Use Plant &amp; machinery £</i>	<i>Total £</i>
<b>Cost:</b>			
At 1 January 2022	6,855,286	632,092	7,487,378
Additions	1,821,577	103,664	1,925,241
At 31 December 2022	<u>8,676,863</u>	<u>735,756</u>	<u>9,421,619</u>
<b>Depreciation:</b>			
At 1 January 2022	(1,618,434)	(231,264)	(1,849,698)
Provided during the year	(847,079)	(196,466)	(1,043,547)
At 31 December 2022	<u>(2,465,513)</u>	<u>(427,730)</u>	<u>(2,893,245)</u>
<b>Net book value:</b>			
At 31 December 2022	<u>6,211,350</u>	<u>300,026</u>	<u>6,519,376</u>
At 31 December 2021	<u>5,236,852</u>	<u>400,828</u>	<u>5,637,680</u>

**11 Deposits**

	<b>2022 £</b>	<b>2021 £</b>
Cash lease rent deposit	<u>603,568</u>	<u>603,568</u>

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**12 Debtors**

	2022	2021
	£	£
Amounts falling due within one year:		
Prepayments and Accrued Income	7,600,300	832,553
Amounts due from group undertakings	60,392	4,942,538
Loan to parent undertaking (1)	6,609,735	654,798
Other debtors	1,256,218	1,000,810
	<u>15,526,645</u>	<u>7,430,699</u>

(1) Increase due to delay of payment of invoices.

Amounts falling due after more than one year:

Deferred tax asset	282,016	310,616
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Loans to the parent undertaking Airbus S.E. are unsecured, have no fixed date of repayment and attract the following interest rates.

Euro balances	EURIBOR 1 month - 0.05%
Sterling Pound balances	LIBOR 1 month - 0.05%

Amounts due from group undertakings are unsecured, interest free and have no fixed date of repayment.

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**13 Creditors: amounts falling due within one year**

	2022	2021
	£	£
Lease liabilities	(894,726)	(705,123)
Accruals	(5,461,483)	(4,041,808)
Other creditors and accruals	(6,346,738)	(1,253,132)
	<u>(12,702,947)</u>	<u>(6,000,063)</u>

**14 Creditors: amounts falling due in more than one year**

	2022	2021
	£	£
Lease liabilities	<u>(5,861,200)</u>	<u>(5,025,523)</u>
Between 1 and 2 years		(896,155)
Between 2 and 5 years		(2,880,253)
Over 5 years		(2,084,793)
		<u>(5,861,200)</u>

Lease liabilities exceed the A400M MTC current contract date of 2026, however management still consider it reasonable to recognise the full lease liability as the expectation is that the contract will be renewed.

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**15 Share capital**

	2022	2021
	£	£
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	1	1

**16 Parent undertakings and controlling party**

The Company's ultimate parent Company and controlling party is considered by the Director to be Airbus S.E (formally known as Airbus Group S.E), which is registered in The Netherlands. Airbus S.E. is the parent undertaking of the largest group of undertakings of which the Company is a subsidiary undertaking for which group financial statements are prepared. The parent undertaking of the smallest such group of undertakings of which the Company is a subsidiary undertaking is Airbus Defence and Space Limited, which is registered in the UK. Copies of the financial statements of Airbus S.E. and Airbus Defence and Space Limited are available from The Secretary, Airbus S.E., Mendelweg 30, 2333 CS Leiden, The Netherlands.