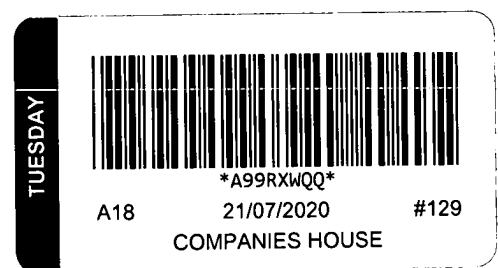


Cardprize Two Limited

Annual report and financial statements
Registered number 04960327
For the year ended 31 December 2019



Cardprize Two Limited

CONTENTS

	Page
DIRECTORS' REPORT	2
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS	5
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDPRIZE TWO LIMITED	6
PROFIT AND LOSS ACCOUNT	8
BALANCE SHEET	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS	11

Cardprize Two Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Principal activity

The principal activity of the company is that of a property holding company.

Results and dividends

The result for the year after taxation amounted to £Nil (2018: £Nil).

Future outlook

The company is expected to continue to be a property holding company until the expiry of its current leases.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to both the national and international political environment, failing to meet contractual obligations (although this is mitigated by internal processes and procedures), the effect of regulatory action and the actions of competitors and customers.

Brexit is one of the most significant economic events for the UK and currently there is great uncertainty as to the outcome which could impact the valuations of some assets and liabilities on the balance sheet.

During this time of uncertainty with the Covid 19 Pandemic, management will be taking action to mitigate any adverse impacts as much as possible. The uncertainty created by Covid 19 may have an impact on the 2020 trading and could impact the valuations of some assets and liabilities on the balance sheet both positively and negatively.

Going concern

Accounting standards require that directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis

The Board of Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. Principal risks are detailed on page 1.

The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, indicate that the Company is able to operate within the level of facilities in place at 31 December 2019. As a consequence, the directors believe that the Company is well-placed to manage its business risks successfully, despite the uncertainties inherent in the current economic outlook linked to COVID-19. In reaching their conclusions, the Directors have performed scenario analysis considering severe yet plausible downside scenarios. In assessing these scenarios, the Directors have considered:

- Cash availability and counterparty risks on deposits.

Cardprize Two Limited

DIRECTORS' REPORT (continued)

A key assumption in these conclusions is access to cash and funds that have been pooled with Leonardo SPA, the ultimate parent company. On the reassessment of the pooling documentation and in consideration of the recent public press releases made by the Group leading up to the signing of these financial statements including:

- The announcement that an additional €2 billion new credit facility, available for 24 months from 6th May 2020, has been entered into, that has no financial covenants, resulting in total liquidity of over €5 billion;
- Consideration of the results at 31 March 2020 of Leonardo SPA, that were released on 7th May 2020 and the Group's Board of Directors statements that they believe the Group's medium-long term prospects remain intact, with an order backlog of €37 billion ensuring a coverage in terms of equivalent production equal to about 2.5 years.
- April 2020 Standard & Poor's credit rating of the group as BB+ as reported in the results at 31 March 2020.
- May 2020 Fitch's credit rating of BBB- affirmed

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

Key Performance Indicators ("KPIs")

The company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Cardprize Two Limited as the company is a property holding company.

Directors

The directors who served during the year were:

Mr.D.A.MacKinnon
Mr.K.G.Thomsit

Employees

The company did not have any employees in the current or prior year. The directors were full time employees of other Leonardo group companies.

Political contributions

The company made no political donations or incurred any political expenditure during the current or prior year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that:

- (a) So far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware that information.

Cardprize Two Limited

DIRECTORS' REPORT (continued)

Independent auditor

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

By order of the board



D.A. MacKinnon
Director
18 June 2020

Cardprize Two Limited
Sigma House
Christopher Martin Road
Basildon
Essex SS14 3EL
Registered No.04960327

Cardprize Two Limited

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDPRIZE TWO LIMITED

Opinion

We have audited the financial statements of Cardprize Two Ltd ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDPRIZE TWO LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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



Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of **KPMG LLP, Statutory Auditor**
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR
18th June 2020

Cardprize Two Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	2	-	7,253,949
		-	7,253,949
Cost of sales	8	-	(7,253,949)
Operating profit		-	-
Financial income	4	2,004,896	-
Financial charges	4	(2,004,896)	-
Profit before taxation		-	-
Tax on profit		-	-
Profit for the financial year		-	-

All amounts relate to continuing activities.

The profit for the financial year and other comprehensive income is all attributed to the owners of the parent.

The notes on pages 11 to 20 form part of these financial statements.

Cardprize Two Limited

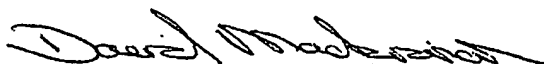
BALANCE SHEET

As at 31 December 2019

	Note	2019	2018
		£	£
Assets			
Lease debtors		47,912,436	-
Non-current assets		<u>47,912,436</u>	<u>-</u>
Trade and other debtors	9	1	2,690,269
Lease debtors		7,882,714	-
Current assets		<u>7,882,715</u>	<u>2,690,269</u>
Total assets		<u><u>55,795,151</u></u>	<u><u>2,690,269</u></u>
Equity			
Called up share capital	5	1	1
Shareholders' funds		<u>1</u>	<u>1</u>
Liabilities			
Lease liability	11	47,912,436	-
Non-current liabilities		<u>47,912,436</u>	<u>-</u>
Creditors: amounts falling due within one year	10	-	2,690,268
Lease liability	11	7,882,714	-
Current liabilities		<u>7,882,714</u>	<u>2,690,268</u>
Total liabilities		<u><u>55,795,150</u></u>	<u><u>2,690,268</u></u>
Total equity and liabilities		<u><u>55,795,151</u></u>	<u><u>2,690,269</u></u>

The notes on pages 11 to 20 form part of these financial statements.

The financial statements on pages 8 to 20 were approved and authorised for issue by the board of directors on 18 June 2020 and were signed on its behalf by:



D.A. MacKinnon
Director
18 June 2020

Cardprize Two Limited
Sigma House
Christopher Martin Road
Basildon
Essex SS14 3EL
Registered No.04960327

Cardprize Two Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Ordinary share capital £	Profit and loss account £	Equity £
Balance at 1 January 2018	1	-	1
Profit or loss for the financial year	-	-	-
Balance at 31 December 2018	<hr/> 1	<hr/> -	<hr/> 1
Profit or loss the financial year	-	-	-
Balance at 31 December 2019	<hr/> 1	<hr/> -	<hr/> 1

The notes on pages 11 to 20 form part of these financial statements.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Cardprize Two Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 04960327 and the registered address is Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- a Cash Flow Statement and related notes;
- the effects of new but not yet effective IFRS';

As the consolidated financial statements of Leonardo SpA include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Basis of preparation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of the financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of the financial statements and the reported amounts of the revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately differ from those estimates.

Going concern

The Board of Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. Principal risks are detailed on page 1.

The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, indicate that the Company is able to operate within the level of facilities in place at 31 December 2019. As a consequence, the directors believe that the Company is well-placed to manage its business risks successfully, despite the uncertainties inherent in the current economic outlook linked to COVID-19. In reaching their conclusions, the Directors have performed scenario analysis considering severe yet plausible downside scenarios. In assessing these scenarios, the Directors have considered:

- Cash availability and counterparty risks on deposits.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Going concern (continued)

A key assumption in these conclusions is access to cash and funds that have been pooled with Leonardo SPA, the ultimate parent company. On the reassessment of the pooling documentation and in consideration of the recent public press releases made by the Group leading up to the signing of these financial statements including:

- The announcement that an additional €2 billion new credit facility, available for 24 months from 6th May 2020, has been entered into, that has no financial covenants, resulting in total liquidity of over €5 billion;
- Consideration of the results at 31 March 2020 of Leonardo SPA, that were released on 7th May 2020 and the Group's Board of Directors statements that they believe the Group's medium-long term prospects remain intact, with an order backlog of €37 billion ensuring a coverage in terms of equivalent production equal to about 2.5 years.
- April 2020 Standard & Poor's credit rating of the group as BB+ as reported in the results at 31 March 2020.
- May 2020 Fitch's credit rating of BBB- affirmed

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

Change in Accounting Policy

In these financial statements the Company has changed its accounting policies in the following areas:

IFRS 16: Leases

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is less than 12 months or the underlying assets has a low value.

A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing the obligation to make lease payments.

The lessee measures right of use assets similarly to other non- financial assets and lease liabilities similarly to other financial liabilities. A lessee recognises depreciation on the right of use asset and interest on the lease liability.

The company adopted IFRS 16 using the modified retrospective approach measuring the right of use asset at an amount equal to the lease liability adjusted for any accruals and prepayments, and using the incremental borrowing rate at the date of initial application.

Because the Company is sub-letting its leases to its parent undertaking, and therefore has no control over these assets, they are recognised as a lease debtor in these financial statements and a right of use asset in the parent undertaking.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

a) Classification

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

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

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

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

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

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

b) Subsequent measurement and gains and losses

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

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity

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

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

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

(iii) Impairment

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

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with significant financing component are measured using the general model described above.

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Financial instruments (continued)

Impairment (continued)

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.

Leases

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 7.

Policy applicable from 1 January 2019

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The company has the right to direct the use of the asset. The company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the company has the right to direct the use of the asset if either:
 - The company has the right to operate the asset; or
 - The company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the company has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Leases (continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Leases (continued)

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

The Company presents right-to-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowing' in the statement of financial position.

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 of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a financial lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (continued)

Leases (continued)

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Foreign currencies

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the statement of financial position date and any exchange differences arising are taken to the statement of comprehensive income.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid resources to fund operations. This is made available, as required, by the company's parent undertaking, Leonardo MW Ltd.

Taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

2. Turnover

All turnover in the current and prior year originates in the UK.

The company only operates one class of business being property leasing. The rental income is recognised on a straight line basis over the life of the lease.

3. Auditor's remuneration

The auditor's remuneration of £9k (2018: £9k) was borne by the parent undertaking.

4. Leasing

Amounts recognised in profit or loss	2019 £	2018 £
Interest on lease liabilities	2,004,896	-
Income from sub-leasing right of use assets	(2,004,896)	-

5. Share capital

Share Capital	Authorised £	Issued £
At 31 December 2018 and 2019 Ordinary shares of £1 (1 share)	1,000	1

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Directors and employees

The directors are full time employees of other Leonardo Group companies. They did not receive any remuneration (2018: nil) for their services as directors of the company for the year and it is not practicable to allocate their emoluments for other services.

7. IFRS 16 impact on the financial statements

On transition to IFRS 16, the company recognised £63,425k of lease liabilities which are matched by a corresponding amount of lease debtors.

When measuring lease liabilities, the company discounted lease payments using an internal borrowing rate related to the length of the lease outstanding at 1 January 2019. The weighted average rate applied is 3.4%.

	1/01/2019 £'000
Operating lease commitment at 31 December 2018 as disclosed in the company's financial statements	40,563
Restatement of leases	31,875
Discounting	(9,013)
Liabilities recognised at 1 January 2019	<u>63,425</u>

8. Related party transactions

During the year the company entered into transactions in the normal course of business with Leonardo MW Ltd that require disclosure as follows:

	2019 £	2018 £
Income from properties	-	7,253,949
Financial income	<u>2,004,896</u>	-

9. Trade and other debtors

	2019 £	2018 £
Prepaid lease payments	-	2,690,268
Amounts owed by group undertakings	1	1
Trade and other debtors	<u>1</u>	<u>2,690,269</u>

This balance is denominated in sterling and is not considered to be impaired.

Cardprize Two Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Creditors : amounts falling due within one year

	2019 £	2018 £
Prepaid lease receipts	-	<u>2,690,268</u>

11. Lease liabilities

	2019 £	2018 £
Maturity analysis – contractual undiscounted cash flows		
Less than one year	9,634,352	-
One to five years	37,903,684	-
More than five years	15,265,513	-
Total undiscounted lease liabilities at 31 December 2019	<u>62,803,549</u>	-
Current	7,882,714	-
Non-current	47,912,436	-
Lease liabilities included in the balance sheet	<u>55,795,150</u>	-

Leases as at 31 December 2018

	2018 £
Commitments under non-cancellable leases	
Within one year	3,950,413
Later than one year and less than five years	15,016,931
After five years	<u>21,595,296</u>
	<u>40,562,640</u>

12. Subsequent events

The Covid 19 pandemic has created a great deal of uncertainty and this may have an impact on valuations of assets and liabilities at the balance sheet date both positively and negatively.

13. Ultimate parent undertaking

The immediate parent undertaking is Leonardo MW Ltd, a company incorporated in the United Kingdom, and registered in England and Wales.

The ultimate parent company and controlling party is Leonardo SpA (formerly Finmeccanica SpA), which is incorporated in Italy, and is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of their financial statements may be obtained from Piazza Montegrappa 4, 00195 Rome, Italy.