

DIRECTORS REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

SKYRORA LIMITED

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SKYRORA LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--|
| Directors | L Edison V Levykin |
| Registered number | SC569511 |
| Registered office | 7 Drum Mains Park Cumbernauld Glasgow Scotland G68 9LD |
| Independent auditors | MHA 2 London Wall Place London EC2Y 5AU |

SKYRORA LIMITED

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SKYRORA LIMITED
REGISTERED NUMBER:SC569511

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

| | Note | 2023 £ | 2022 £ |
|--|------|-----------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | 5 | 813,051 | 669,254 |
| Investments | 6 | 615,075 | 1,902,269 |
| | | <u>1,428,126</u> | <u>2,571,523</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 7 | 3,148,897 | 9,741,223 |
| Cash at bank and in hand | | 142,868 | 293,671 |
| | | <u>3,291,765</u> | <u>10,034,894</u> |
| Creditors: amounts falling due within one year | 8 | (3,824,242) | (1,748,150) |
| Net current (liabilities)/assets | | <u>(532,477)</u> | <u>8,286,744</u> |
| Total assets less current liabilities | | <u>895,649</u> | <u>10,858,267</u> |
| Provisions for liabilities | | | |
| Deferred tax | | (181,655) | - |
| | | <u>(181,655)</u> | <u>-</u> |
| Net assets | | <u><u>713,994</u></u> | <u><u>10,858,267</u></u> |
| Capital and reserves | | | |
| Allotted, called up and fully paid share capital | 11 | 30,000,000 | 30,000,000 |
| Capital contribution reserve | 11 | 1,324,709 | - |
| Profit and loss account | 11 | (30,610,715) | (19,141,733) |
| | | <u>713,994</u> | <u>10,858,267</u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

V Levykin
 Director
 Date: 14 October 2024

The notes on pages 2 to 9 form part of these financial statements.

SKYRORA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

Skyrora Limited is a private company limited by shares and is incorporated in Scotland. The address of the registered office is disclosed on the company information page. The company's principal trading activity is in relation to researching and developing launch vehicle technology.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

2.3 Going concern

At the date of signing the balance sheet, the global economy continues to experience the impact of increasing inflation, rising interest rates and the effects of the Russia-Ukraine war. The directors continuously monitor these factors, mitigated, where possible, with proactive planning, supply chain and cost management.

The events resulting from the military invasion by the Russian Federation of Ukraine on 24 February 2022 has had unpredictable consequences for the operations of the Ukrainian subsidiary of the Skyrora Limited. The ongoing war in Ukraine means that Skyrora UA LLC may not be able to realise its assets and liabilities in the ordinary course of business. Management therefore recognises that this creates a material uncertainty that may cast doubt on the Groups ability to operate as a going concern. Steps have been taken by management to mitigate this risk to the Group, including establishing continuity plans to enable R&D activities of the Group to continue outside Ukraine and both relocating and supporting staff to minimise the impact on daily operations.

Skyrora's existing and prospective funding sources include funding from the shareholders, grants from ESA and other authorities, profits of subsidiaries and revenues from sales of launch services (expected to start in 2025/2026 and grow substantially in subsequent years), and therefore the Group's future funding is not directly impacted by the operations of Skyrora UA LLC. The actions taken by management have so far helped to minimise the effects of the hostilities in Ukraine and supported the continuation of the R&D process in order to meet the timeline for the planned launches in 2025/2026.

To build the financial model and assess the Company's ability to operate as a going concern, management applied significant judgement in estimating the future income from orbital launch services. Management built its estimate based on letters of intent, received from its potential customers, and the expected timeline to develop and become operational. Management recognises that the commercial and technological success of the orbital launches project depends on many factors and events in the future which creates a significant level of uncertainty regarding the ability of the Company to generate sufficient income and fulfil its obligations in the future. Notwithstanding the legal licences required to successfully launch rockets, management undertakes a detailed impairment test based upon modelling future sales and costs based upon on existing letters of intent from potential customers and expected costs to operate.

The parent company has confirmed in writing its intention to provide future financial support as and when required for the Company to continue in operational existence for a period at least 12 months from the date of approval of financial statements.

Whilst these uncertainties exist and challenge the Company's ability to continue as a going concern, the directors believe that the company's existing financial resources and proactive management actions should enable the company to continue operations for at least twelve months from the approval of these accounts.

SKYRORA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-----------------------|------------------------|
| Plant and machinery | - |
| | 10 years straight line |
| Motor vehicles | - |
| | 3 years straight line |
| Fixtures and fittings | - |
| | 10 years straight line |
| Office equipment | - |
| | 3 years straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Company has an unrealised deferred tax asset on Short term timing differences and trading losses of £931,217 (2022: £Nil).

2.10 Exceptional Items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amount reported. These estimates and judgement are continually reviewed and are based on experience and other factors, including expectations of future events that are believe to be reasonable under the circumstances. These estimates and judgement are as follows:

Valuation of Investment in subsidiaries

The valuation of investments in subsidiaries are reviewed on an annual basis and are held at cost less impairment.

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

4. Employees

The average monthly number of employees, including directors, during the year was 46 (2022 - 53).

SKYRORA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5. Tangible fixed assets

| | Plant and machinery £ | Motor vehicles £ | Fixtures and fittings £ | Office equipment £ | Total £ |
|----------------------------|-----------------------------|---------------------|-------------------------------|-----------------------|------------------|
| Cost | | | | | |
| At 1 January 2023 | 440,010 | 24,435 | 319,099 | 131,041 | 914,585 |
| Additions | 194,939 | - | 64,638 | 6,737 | 266,314 |
| Disposals | - | (4,490) | (1,281) | (9,844) | (15,615) |
| At 31 December 2023 | <u>634,949</u> | <u>19,945</u> | <u>382,456</u> | <u>127,934</u> | <u>1,165,284</u> |
| Depreciation | | | | | |
| At 1 January 2023 | 74,422 | 20,788 | 61,615 | 88,506 | 245,331 |
| Charge for the year | 53,912 | 1,571 | 34,900 | 29,332 | 119,715 |
| Disposals | - | (2,414) | (555) | (9,844) | (12,813) |
| At 31 December 2023 | <u>128,334</u> | <u>19,945</u> | <u>95,960</u> | <u>107,994</u> | <u>352,233</u> |
| Net book value | | | | | |
| At 31 December 2023 | <u>506,615</u> | <u>-</u> | <u>286,496</u> | <u>19,940</u> | <u>813,051</u> |
| <i>At 31 December 2022</i> | <u>365,588</u> | <u>3,647</u> | <u>257,484</u> | <u>42,535</u> | <u>669,254</u> |

SKYRORA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

6. Investments

| | Investments in subsidiaries £ |
|----------------------------|-------------------------------------|
| Cost or valuation | |
| At 1 January 2023 | 1,902,269 |
| At 31 December 2023 | <u>1,902,269</u> |
| Impairment | |
| Charge for the period | 1,287,194 |
| At 31 December 2023 | <u>1,287,194</u> |
| Net book value | |
| At 31 December 2023 | <u>615,075</u> |
| <i>At 31 December 2022</i> | <u><u>1,902,269</u></u> |

7. Debtors

| | 2023 £ | 2022 £ |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | 507,089 | 505,450 |
| VAT recoverable | 256,798 | 106,832 |
| Other debtors | 18,000 | 83,059 |
| Called up share capital not paid | - | 4,613,005 |
| Prepayments | 273,971 | 101,408 |
| Tax recoverable | 2,093,039 | 2,749,318 |
| Deferred taxation | - | 1,582,151 |
| | <u>3,148,897</u> | <u>9,741,223</u> |

SKYRORA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. Creditors: Amounts falling due within one year

| | 2023 £ | 2022 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 1,293,341 | - |
| Amounts owed to group undertakings | 2,283,679 | 1,662,022 |
| Other taxation and social security | 42,319 | - |
| Other creditors | 5,575 | - |
| Accruals and deferred income | 199,328 | 86,128 |
| | <u>3,824,242</u> | <u>1,748,150</u> |

9. Commitments under operating leases

At 31 December 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2023 £ | 2022 £ |
|--|------------------|------------------|
| Not later than 1 year | 395,524 | 390,735 |
| Later than 1 year and not later than 5 years | 775,500 | 1,167,431 |
| Later than 5 years | 229,500 | 229,500 |
| | <u>1,400,524</u> | <u>1,787,666</u> |

10. Reserves

Share capital

The share capital account represents the par value of the shares allotted in the company. This includes, unpaid share capital of £Nil (2022: £4,613,005).

Capital contribution reserve

The capital contribution reserve represents funds contributed without the issuing of additional shares.

Profit and loss account

The profit and loss account contains the balance of retained earnings to carry forward. It is fully distributable and shown as part of shareholders' reserves on the balance sheet.

SKYRORA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. Parent company and controlling party

The parent of the smallest group for which consolidated financial statements are drawn up is Skyrora Ventures Limited, a company registered in England and Wales. The address of their registered office is: 4th Floor 115 George Street, Edinburgh, United Kingdom, EH2 4JN.

Skyrora Ventures Limited prepares consolidated financial statements, including Skyrora Limited, which are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The director, V Levykin, is considered to be the ultimate controlling party.

12. Post balance sheet events

On 19 September 2024, the Company allotted 15,000,000 Ordinary £1 shares, for consideration at par value to the parent Company, Skyrora Ventures Limited.

13. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2023 was unqualified.

The audit report was signed on 14 October 2024 by Andrew Moyser FCA FCCA (Senior statutory auditor) on behalf of MHA.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.