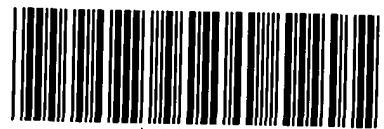


Thales Alenia Space UK Limited

Annual report and financial statements
For the year ended 31 December 2023

Registered number: 08647225

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THALES ALENIA SPACE UK LIMITED

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THALES ALENIA SPACE UK LIMITED

Strategic report

The Directors present their strategic report which outlines the key issues which the Directors consider to be significant in relation to the Company's current and future activities.

Principal activities

The principal activity of the Company is the provision of expertise and prime activities in electronics and space mission sub-systems, and it has a customer base that includes the European Space Agency (ESA).

Business review

The revenue for the year ended 31 December 2023 was £48,759,000 (2022: £36,736,000) generating a loss before tax of £7,451,000 (2022: loss £11,914,000).

The Company continued to pursue its strategy of establishing a strong and leading space business in the UK, with a particular strong showing in the global Telecoms market. Revenues were up on the previous year however mix was different due to three significant factors:

The Global satellite communications market suffered a continuation of the downturn over the last few years with a market sizing less than half of what it was for geostationary satellites 5 years ago. This was partly caused by the introduction of the software defined satellites of the future, but also by the entry into operational service of the Starlink Low Earth Orbit constellation and the impending introduction of constellations such as Kuiper, LightSpeed, IRIS² and OneWeb Generation 2. This consequently affected the propulsion module orders for geostationary satellites throughout the year.

Despite the challenges in the Telecoms market, overall order book from ESA flowed down via Thales Alenia Space in France and Italy remained strong. Some delay to UKSA support and the Lunar Gateway ESPRIT programme resulted in delayed Customer contracts and revenues, though it is expected that the majority of these will be secured during in 2024. 2023 also saw a number of major proposal activities begun, some of which are expected to conclude in 2024. The Company was one of two companies down-selected to follow the invitation to negotiate process for a large UK Satellite System.

A sample of new programmes acquired during the year include In Situ Resource Utilisation breadboard development (ESA), Citiscan and Skimsat (UKSA) and a propulsion module for South Korea.

Whilst revenues have increased from 2022 a combination of events have affected EBIT performance:

- Some of the ongoing programmes were well into the more complex development phases with cost and schedule changes impacting. Improvement programmes are set across the whole group to address these matters.
- UK staff continue to operate in a hybrid pattern of remote and office working although the guidelines were strengthened by Thales at group level towards the end of 2023 placing more responsibility on people to perform a higher proportion of their work at a Company site.
- Recruitment and retention continued to be a key issue for the Company with staff turnover stabilising by the end of the year however tracking about average for the UK space industry, but higher than Thales Alenia Space in Europe due to economic and cultural environments.

THALES ALENIA SPACE UK LIMITED

Strategic report (continued)

- COVID ceased to be a significant factor in 2023 although it was still being reported as a cause of illness across the Company during the winter months. The effect of the war in Ukraine, however, continued to be significant with ongoing impacts on supply chain, inflation and the increasing energy costs.

Key business milestones for the business during the year, included:

- **MicroCarb:** Satellite AIT Test Readiness Review in March 2023 – This is the first time ever that the Company has achieved such a Milestone, showing the ability to deliver a Satellite AIT. The AIT of the full satellite was completed in Q1 2024 and it has been shipped to France where it will wait for its launch slot. Microcarb will be a critical component of the fight against climate change.
- **FLEX:** Successful Platform Initial Integration Readiness Review in December 2023. This milestone has been achieved whilst facing some demanding challenges with the assembly and integration activity taking place in a Thales facility in Belfast (Northern Ireland) maintaining the global schedule. The intention is to test within the new National Spacecraft Test Facility (NSTF) at Harwell.
- **Copernicus CO2M Multi Angle Polarimeter** instrument, the first mission to measure amount of carbon dioxide into the atmosphere specifically through human activity. Significant steps were achieved with focal plane array and telescopes as progress is made towards critical design review in 2024.
- **PLATO:** Successful review of Structural Model with customer during 2023, showing the Company team's ability to deliver the Structural Model of a big platform, preparatory to the Flight assembly and integration phase.
- Satellites Amazonas and Satria were launched in February and June 2023 respectively; both with the company propulsion systems on board, with another satellite completed and delivered in October 23 with launch scheduled in Q2 2024. This will bring the total of Thales Alenia Space UK propulsion modules to eight in orbit.

With regards to infrastructure achieved during the year:

- Thales Group and Thales Alenia Space approved the move of the Harwell staff into a new office on campus where Thales Alenia Space UK Ltd will be collocated with the UK Space Agency teams.

Key performance indicators

The Company's key financial and other performance indicators are as follows:

	2023	2022
	£000	£000
Revenue	48,759	36,736
Loss before taxation	(7,451)	(11,914)
Equity	(57,045)	(50,181)
	Number	Number
Average number of employees	214	198

THALES ALENIA SPACE UK LIMITED

Strategic report (continued)

Future developments

The Company is aiming to position itself as a leading player in the space business offering innovative and cost-effective solutions to ESA and UK programmes, and to substantially grow its contribution to Thales Alenia Space's commercial products lines – the export success with South Korea at the beginning of 2023 is a key milestone in establishing the Company as an exporter within Thales Alenia Space and the ongoing capture activity of a large UK Satellite system signifies a step towards diversification of the pipeline in the future.

The UK continues to develop the National Space Programme which will follow on from the National Space Strategy that was published in September 2021. The industrial strategy is expected to be published in early 2024, which should highlight the capability areas that the government wants to retain in the UK. Political uncertainty is likely to be a theme during 2024 after the UK Government Science Minister changed multiple times in the preceding two years, and we are now actively engaging with the shadow ministers as well as the current government in partnership with the trade bodies, ADS and UK Space, as well as with Thales UK.

Research and development

The Company invests significant sums each year in enhancing existing and developing new technologies aligned to its target markets and customers. This is a key element of the Company's plans for its future business and is greatly enhanced by the Company's close working relationships with its parent company, Thales Alenia Space SAS. This co-operation provides access to both expertise and new market opportunities.

Risks and uncertainties

As in every year, the Company participated in the Thales Group's YAL (Yearly Attestation Letter) process. This is a comprehensive exercise that addresses all areas of the business operations and activities. In 2023, Bids and Projects net exposure reduced thanks to process improvement actions put in place the previous year. A big improvement was achieved in the subject of corruption and influence peddling, with net potential exposure reducing thanks to structured training being completed and a companywide tool being launched during 2023. Major improvement was carried out on Health and Safety risks for 2023 – bringing the Company more in line with the wider Thales UK HSE environment. This improvement is not yet reflected in the 2023 YAL results but is expected to be evident in the 2024 assessment.

Where risks or gaps are identified, specific actions are put in place and addressed in the course of normal business.

The Company employs staff from the UK and many different nationalities from the EU and other countries and it remains difficult to attract and retain staff who are EU nationals. To develop in the UK a sustainable capability and skills of a specialist nature, the use of staff from different nationalities has a role to play in our future growth and the Company is supported by Thales, taking steps to secure sustainable staffing, it is nonetheless an area of potential risk in terms of attracting suitably skilled and specialist staff in future and was also reflected in the aforementioned YAL results for 2023.

THALES ALENIA SPACE UK LIMITED

Strategic report (continued)

Financial risk management objectives and policies

The Company's principal financial instruments comprise of cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, in the form of forward currency contracts. The purpose is to manage currency risks arising from the Company's operations and its sources of finance. Thales Alenia Space SAS and Thales Corporate Services negotiate the terms of derivatives on behalf of the Company to match the terms of the hedged item to maximise hedge effectiveness.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is credit risk. The Board reviews and agrees policies for managing this risk and they are summarised below.

Credit risk

The Company trades mainly through intra-group contracts for commercial business and with ESA and other recognised creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. This may also involve the negotiation of third party guarantees of customer creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and short-term deposits, the Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. This risk is mitigated by ensuring that counterparties are selected in accordance with strict credit worthiness criteria.

The notes to the financial statements include the Company's objectives, policies and processes for managing its capital and details of its financial instruments and hedging activities.

Inflation risk

In the immediate term, the Company considers that there is an increased risk compared with recent years of inflationary pressure on its cost base. Whilst it is considered that the wider causes of this increased risk are outside the Company's control, the Company is monitoring the impacts on its cost base and takes action to protect itself from cost increases where possible, for example, taking advantage of Thales Group support in managing the cost of employment and of procuring materials from third parties.

THALES ALENIA SPACE UK LIMITED

Strategic report (continued)

Global security risk

In regard to the continued invasion of Ukraine by Russia, the Company has reviewed its operations to confirm that it has in place the necessary controls to ensure compliance with the UK Government sanctions. Additionally, the Company has assessed the potential impact on its operational activities due to these sanctions and considers that any changes resulting from compliance with these sanctions are likely to have a minimal impact on its operational activities, taking due account of mitigation actions where appropriate.

Section 172(1) Statement

The Directors have taken account of the reporting requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations). The Directors consider that the Company is required to provide a Section 172(1) Statement in its annual report and financial statements on the basis that it meets the criterion of being a subsidiary of a company the shares of which are quoted on a regulated financial market (see Note 22 for details of its immediate and ultimate parent company), and the Company meets the criteria to be classed as a Large Company under the Companies Act.

The key stakeholders of the Company are considered below, along with the way in which the Company engages with them, having regard for the issues which are significant to each stakeholder.

Customers

Our customers are the reason why the Company exists, and it is vital that we build long term relationships with them through structured engagement, from the initial phase of identifying a customer's requirements and bidding for the work, to securing new contracts and subsequently delivering the customer's requirements. Regular performance reviews are held with customers with which the Company has ongoing contracts, and specific delivery requirements such as design, system capability and delivery milestones are regularly reviewed with our customers as part of this process. Customer acceptance into service of the final system is a key stage of the relationship and will normally involve close collaboration with our customers to ensure that their requirements have been met. The Company's largest end customer is ESA through intercompany Thales Alenia Space contracts, for which it participates in a number of programmes. The Company also has other commercial telecommunications companies among its customers.

Suppliers

The Company maintains close contact with its suppliers and major sub-contractors because they are a key contributor to the Company's ability to meet its customers' requirements on current and future projects. Additionally, the Company considers that it is essential to work with a range of suppliers and sub-contractors to ensure the sustainability of the business in the medium to longer term, and to enable its suppliers to plan their own activities which supports their continued operations over this time frame. In this regard, the Company works with these parties to identify new ways of meeting customers' requirements using alternative sources of material or labour supply, where this can bring an advantage to the business delivery.

Where the Company engages smaller companies to supply materials or capability for a customer project, care is taken to work with the supplier to ensure that its contribution to the project and financial impacts for the supplier are sustainable. Performance and quality of delivery by suppliers and sub-contractors is managed through a mixture of regular and ad-hoc reviews to monitor progress and identify issues relating to its projects.

THALES ALENIA SPACE UK LIMITED

Strategic report (continued)

Shareholders

The Company is a wholly owned subsidiary of Thales Alenia Space SAS. Thales Alenia Space SAS is a joint venture between Thales SA (67%) and Leonardo SpA (33%), and is a key European player in space telecommunications, navigation, earth observation, exploration and orbital infrastructures.

There is a close engagement between the Company and its shareholder to ensure that the capability of the Company in delivering for its customers is supported by the wider capabilities and specialist technical knowledge and resources of both Thales SA and Leonardo SpA. There are also formal mechanisms for reporting and reviewing both operational and financial performance of the Company.

Employees

We have continued to focus on the development of the people within the Company, and the recruitment and retention challenges that are a fact of life for the whole industry.

With growing competition for talent and a well-publicised skills shortage in the UK Space sector, as expected, the job market continued to be volatile in 2023. Attracting and retaining quality workers remains key for the expansion of the Company. Despite the challenges, the Company was able to on-board a significant number of new staff during 2023. Our international recruitment is a source for attracting overseas talent to the UK is part of the UK's overall strategy – and we now have 20 different nationalities working for the Company bringing significant diverse experience and thinking to the workplace.

Due to the availability of some engineering personnel in France during 2023, a staff sharing programme was launched to make it easier to transfer both work and personnel across the European footprint of TAS. It is too early for this to have a significant positive impact on the company but nevertheless it did help with a few critical roles for TASUK in finding existing staff within TAS who were willing to relocate and move to the UK. This programme could be a significant positive aspect going forward.

The Company aims to incorporate attractive employment policies and principles with the view to creating a skilled, happy, diverse, proud and motivated workforce. Furthermore, the Company operates respected graduate and apprentice programmes in collaboration with Thales UK.

An element of remote working is now the norm across the sector and this has to be managed to place customer needs and collaboration at the heart of our working practice, whilst having positive impacts on our ability to recruit a much more agile and mobile workforce in the future.

The Company's leadership team encourages a regular dialogue with employees through the use of various representative groups and internal communications which are addressed to all employees and encourages feedback and participation.

THALES ALENIA SPACE UK LIMITED Strategic report (continued)

Disabled employees

The Company's attitude concerning the employment of disabled persons is the same as that relating to all other staff in matters of recruitment, continuity of employment, training, development and promotion. Nevertheless, the Company is very conscious of the difficulties experienced by the disabled and takes account sympathetically of individual circumstances.

The Company takes particular care to ensure that all employees' needs are managed with regard to their working environment, and care is taken to ensure that disabled and vulnerable employees are supported in the Company's working environment.

Environmental information

The Company operates a comprehensive environmental policy complying with legislation, standards and best practice. We operate in a way that seeks to protect the environment, preserve biodiversity and respect natural sites. We are reducing our footprint by minimising our resources, seeking less environmentally harmful alternatives where we can, recycling and preventing pollution wherever possible. In addition, we monitor power and water consumption on all our sites and have programmes in place to reduce consumption, as well as CO2 emissions, and move to a more sustainable business in line with the UN sustainable development goals.

The company is also employing eco design and sustainability aspects into its processes and activities.

Principal decisions

When considering significant business decisions, such as specific site developments or changes in activity, the Company seeks to involve the appropriate stakeholders, and has regard for the potential impacts of decisions, seeking as far as reasonably possible to balance the interests of stakeholders with the objectives of the Company.

The Company has continued to develop its improvements strategy, including further integration with the Thales UK team based in Belfast specifically focused around governance and communication. This activity is focused on enhanced engineering and quality processes, implementation and competitiveness respectively. At the beginning of 2023, the Propulsion Competence Centre (PCC) was launched, simplifying the governance structure of the propulsion integration capability in Belfast. This has strengthened the oversight of TAS in the manufacturing side of the propulsion business and will have a positive impact on the overall competitiveness of propulsion module design and manufacture.

By order of the Board



A Stanniland, Director

26 September 2024

350 Longwater Avenue
Green Park
Reading
RG2 6GF

THALES ALENIA SPACE UK LIMITED

Directors' report

The Directors present their annual report and financial statements for the year ended 31 December 2023.

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the directors' report have been included in the strategic report. These matters relate to principal activities, business review, key performance indicators, principal risks and uncertainties, future developments, research and development activities, financial instruments, policy with regard to employment of disabled persons, and engagement with employees. The strategic report also includes the Directors' section 172 (1) Statement addressing its interactions with key stakeholders, including with customers, suppliers and others.

Results and dividends

The Company recorded a loss after tax for the year of £7,748,000 (2022: loss £12,047,000), taking cumulative retained losses to £61,080,000. Accordingly, the Directors do not recommend the payment of a dividend (2022: £nil).

Going concern

In performing their review of the appropriateness of preparing the 2023 financial statements on the going concern basis, the Directors have taken into account the trading performance of the Company for the year ended 31 December 2023. The Directors note that a loss after tax for the year of £7,748,000, (2022: loss £12,047,000), and net liabilities increasing to £57,045,000 (2022: £50,181,000). Furthermore, the company has a Group loan balance of £75,945,000 at 31 December 2023 (2022: £51,085,000), amongst other intercompany payables and receivables. In addition, the majority of revenue in the company is derived from contracts with the parent entity.

In view of the above, the Directors have concluded the company is reliant on continued parental financial support. The parent entity has provided a letter of support guaranteeing provision of funding if it were to be required for 12 months from approval of the balance sheet. The directors have made appropriate enquiries and performed procedures to satisfy themselves that if support were to be required, it could be provided and that its parent company has sufficient resources to provide the financial support.

On the basis of all of this, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the approval of the balance sheet (the going concern period). On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

THALES ALENIA SPACE UK LIMITED

Directors' report (continued)

Environmental information

The Company operates within the framework of the environmental policy of Thales in the UK. This is a comprehensive environmental policy complying with legislation, standards and best practice. We operate in a way that seeks to protect the environment, preserve biodiversity and respect natural sites. We are reducing our footprint by minimising our resources, seeking less environmentally harmful alternatives where we can, recycling and preventing pollution wherever possible. In addition, we monitor power and water consumption on our sites and have programmes in place to reduce consumption, as well as CO2 emissions, and move to a more sustainable business in line with the UN sustainable development goals.

The Company respects environmental legislation and standards applicable in the UK, and contributes towards the Thales Group strategy for a low carbon future. Further details of the Thales Group strategy for a low-carbon future can be found at the following address:

<https://www.thalesgroup.com/en/global/corporate-responsibility/environment/strategy-low-carbon-future>

In this Directors' report, the Company has provided certain information regarding energy use and emissions which is required to be reported by large UK companies under legislation introduced in 2019 by the Department for Business, Energy and Industrial Strategy (BEIS), titled the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which came into force on 1 April 2019, and apply to reporting periods commencing on or after that date. The reporting obligations introduced under this legislation, generally referred to as the Streamlined Energy and Carbon Reporting (SECR) require large UK companies to disclose for the reporting period certain energy use and Greenhouse (GHG) gas emissions, along with the methodology applied in calculating emissions as well as stating energy efficiency measures taken in the year.

The mandatory disclosures comprise:

Scope 1 - Direct emissions

Fuel use from transport (where the journey begins or ends in the UK); and
Combustion of natural gas

And

Scope 2 - Indirect emissions

Electricity purchased and used for operations (not including energy sold on)

Voluntary disclosures comprise:

Wider scope 1 emissions - including other fuel use, refrigerants & manufacturing emissions

Scope 3 emissions - upstream and downstream energy use

THALES ALENIA SPACE UK LIMITED
Directors' report (continued)

The following table states the emissions of the Company as required by the mandatory disclosures, stating emissions in tonnes of CO2 and CO2 per full time employee (FTE).

	2023	Year on year change (%)	2022
Scope 1 – Direct Emissions – Tonnes CO2	0.00	-100%	13.97
Scope 2 – Indirect Emissions – Tonnes CO2	-	-	-
Total Scope 1 & 2 – Tonnes CO2	0.00	-100%	13.97
Intensity of Emissions - Total Scope 1 & 2 – Tonnes CO2/FTE	0.00	-100%	0.07
FTE (Note 7)	214	8.1%	198

As indicated in the table above, the Company's total emissions in Tonnes CO2 reduced in the year from 13.97 Tonnes CO2 to 0.00 Tonnes CO2, a decrease of 100% year on year. Emissions per FTE decreased in the year to 0.00 Tonnes CO2/FTE from 0.07 Tonnes CO2/FTE, a decrease of 100% year on year.

Scope 1 – The decrease in Scope 1 emissions in 2023 compared with 2022 is attributable to the Bristol site having the gas boilers removed in December 2022

Scope 2 – All electricity purchased by the company is from certified renewable sources which results in zero tonnes CO2 from market based methodology.

Emissions reduction targets

In 2021 the Company initiated a Carbon Net Zero Plan setting out the areas of focus with the objective of reaching Net Zero carbon emissions for Scope 1 & 2 by 2030.

In this regard, the Company has implemented a number of carbon emissions reduction measures as outlined above which has enabled the company to achieve its Net Zero target ahead of plan.

The Company's Carbon Net Zero Plan continues to be a dynamic and evolving plan, and it is anticipated that further measures may be identified, such as more energy efficient heating and building management systems to improve its overall energy consumption, efficiency and carbon impact as the plan out to 2030 matures.

Further details of the Company's Carbon Net Zero Plan can be found at the following address:

<https://www.thalesgroup.com/sites/default/files/database/document/2023-06/Carbon%20Reduction%20Plan%20TAS%20UK.pdf>

THALES ALENIA SPACE UK LIMITED

Directors' Report (continued)

Directors

The Directors who served during the year and subsequently were as follows:

A. Stanniland
E. Terrasse (resigned 1 April 2024)
S. Murray (appointed 11 July 2023)
C. Shaw (appointed 25 September 2023)
R. Baxter (resigned 25 September 2023)

The following director was appointed after the year end:

R Minella (appointed 1 April 2024)

Directors' liabilities

The Company has not granted any indemnity against liability to its Directors during the year or at the date of approving the Directors' Report.

Post balance sheet events

In the Directors' view, there are no events which have occurred since the balance sheet date which require any of the financial amounts as recorded at 31 December 2023 to be adjusted.

Subsequent Events

Space activity benefits from favourable growth prospects in most of its activities, notably observation, exploration, navigation, military telecommunications and services. However, the commercial telecommunications activity is facing a disrupted situation due to structurally weaker demand. In March 2024, as part of the Thales Group 2023 results announcement, the Group announced an adaptation plan in Thales Alenia Space. This change seeks to transform the business by focusing efforts on two key markets and customers. The first of these is Propulsion which has gone from strength to strength in the development and growth of skills, market share, and profitability. The second area is UK Defence where a growing market has been identified with support from Thales UK. This does mean that the business will be ceasing work in other areas where there is not the same market share or opportunity to deliver growth and profitability at a rate that is sustainable. It is intended that this transformation be completed by December 2025.

Donations

During the year ended 31 December 2023 no political donations were made (2022: £nil).

Disclosure of information to the auditor


So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the auditor, the Directors have taken all the steps they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

THALES ALENIA SPACE UK LIMITED
Directors' report (continued)

Auditor

In accordance with section 489 of the Companies Act 2006, the Company has not elected to re-appoint its auditor annually and Ernst & Young LLP will therefore continue in office.

By order of the Board



A Stanniland, Director
26 September 2024

350 Longwater Avenue
Green Park
Reading
RG2 6GF

THALES ALENIA SPACE UK LIMITED

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, 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 the Directors have elected to prepare financial statements in accordance with UK-adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- 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 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 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.

Independent auditor's report to the shareholders of Thales Alenia Space UK Limited

Opinion

We have audited the financial statements of Thales Alenia Space UK Limited (the 'Company') for the year ended 31 December 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 23, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 Director's 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 a period of 12 months from when the financial statements are authorised for issue.

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 annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the shareholders of Thales Alenia Space UK Limited (continued)

Matters on which we are required to report by exception

In 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 the directors' report.

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

- adequate accounting records have not been kept, 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 13, 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards and Companies Act 2006) and the relevant tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations that have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation (GDPR) and those laws and regulations relating health and safety and employee matters.
- We understood how Thales Alenia Space UK Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We corroborated our enquiries through our review of board minutes and by understanding the entity level controls implemented by those charged with governance. Enquiries were made of management to understand any known instances of non-compliance with laws and regulations in the financial year, no such matters were brought to our attention.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by the risk of management override and through assessing revenue as a fraud risk, through the manipulation of costs to complete and estimation of margins on long term contracts, our procedures to address this includes:

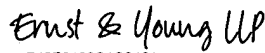
Independent auditor's report to the shareholders of Thales Alenia Space UK Limited (continued)

- Understanding the revenue recognition process, policy and how it is applied, including relevant controls; and
 - Selecting a sample of contracts to test based on various risk criteria and testing sample of costs incurred to supporting documentation to assess their accuracy and that they were recorded to the appropriate contract. For the same contracts we performed detailed contract reviews including challenging management assumptions on cost to complete and contingencies on contracts.
 - With regard to the risk of management override of controls, we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific risk criteria, which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transactions. We also reviewed accounting estimates for evidence of bias and evaluated the business rationale for any significant transactions that are outside the normal course of business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures had a focus on compliance with the reporting framework set out above through our walkthrough testing and the relevant tax legislation including tax computations and returns.

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.

Signed by:

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Sam Newall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

26 September 2024

THALES ALENIA SPACE UK LIMITED
Statement of comprehensive income
for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Continuing operations			
Revenue	4	48,759	36,736
Cost of sales		(46,568)	(42,245)
Gross profit/ / (loss)		2,191	(5,509)
Administrative expenses		(5,225)	(5,267)
Impairment	10	(1,302)	-
Finance income	6	-	-
Finance costs	6	(3,115)	(1,138)
Loss before taxation	5	(7,451)	(11,914)
Income tax expense	8	(297)	(133)
Loss for the period		(7,748)	(12,047)
Other comprehensive (loss) / income			
Items that will be reclassified to profit and loss			
Gains/ (losses) on cash flow hedges		885	(2,698)
Tax effect on other comprehensive income		-	-
Total comprehensive loss for the period		(6,863)	(14,745)

The accompanying notes are an integral part of this statement of comprehensive income.

THALES ALENIA SPACE UK LIMITED
Statement of financial position
as at 31 December 2023
Company registration number 08647225

	Note	2023 £000	2022 £000
ASSETS			
Non-current assets			
Intangible assets	9	-	-
Property, plant and equipment	10	9,162	9,642
		<u>9,162</u>	<u>9,642</u>
Current assets			
Trade and other receivables	11	38,008	20,543
Inventory and work in progress	12	12,767	3,881
Derivative financial instruments	20	985	1,975
Cash and cash equivalents	13	1,206	1,266
		<u>52,966</u>	<u>27,665</u>
Total assets		<u>62,128</u>	<u>37,307</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	(36,478)	(26,003)
Lease liabilities	15	(657)	(805)
Provisions	16	(731)	(1,726)
Derivative financial instruments	20	(1,043)	(4,106)
		<u>(38,909)</u>	<u>(32,640)</u>
Non-current liabilities			
Lease liabilities	15	(3,135)	(2,938)
Provisions	16	(1,184)	(825)
Borrowings	17	(75,945)	(51,085)
		<u>(80,264)</u>	<u>(54,848)</u>
Total liabilities		<u>(119,173)</u>	<u>(87,488)</u>
Net liabilities		<u>(57,045)</u>	<u>(50,181)</u>

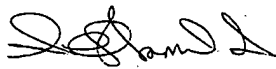
THALES ALENIA SPACE UK LIMITED
Statement of financial position
as at 31 December 2023
Company registration number 08647225

		2023	2022
		£000	£000
Equity			
Share capital	19	5,000	5,000
Hedging reserve		(965)	(1,850)
Retained earnings		(61,080)	(53,331)
Total Equity		<u>(57,045)</u>	<u>(50,181)</u>

The accompanying notes are an integral part of this statement of financial position.

The financial statements on pages 17 to 46 were approved by the Board of Directors and authorised for issue on 26 September 2024.

They were signed on its behalf by:



A Stanniland, Director

THALES ALENIA SPACE UK LIMITED
Statement of changes in equity
for the year ended 31 December 2023

	Share capital £000	Retained earnings £000	Hedging reserve £000	Total £000
At 1 January 2022	5,000	(41,284)	847	(35,437)
Loss for the year	-	(12,047)	-	(12,047)
Losses on cash flow hedges	-	-	(2,697)	(2,697)
At 31 December 2022	5,000	(53,331)	(1,850)	(50,181)
Loss for the year	-	(7,749)	-	(7,749)
Gain on cash flow hedges	-	-	885	885
At 31 December 2023	5,000	(61,080)	(965)	(57,045)

Details of share capital are shown in Note 19.

The retained earnings relate to the performance of the business.

The hedging reserve represents the difference between the market value and the contracted value of financial instruments held by the Company in respect of future receipts and payments.

THALES ALENIA SPACE UK LIMITED
Statement of cash flows
for the year ended 31 December 2023

	Note	2023 £000	2022 £000
OPERATING ACTIVITIES			
Loss before tax		(7,451)	(11,914)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property, plant and equipment	10	1,050	1,197
Impairment of property, plant and equipment		1,302	-
Amortisation of intangible assets	9	7	104
Finance costs		3,115	1,138
Working capital adjustments:			
(Increase) in receivables and work in progress		(26,351)	(5,226)
Increase / (decrease) in payables		8,853	3,249
(Decrease)/ Increase in provisions		(636)	1,444
		(20,111)	(10,008)
Interest paid		(3,116)	(1,138)
Income tax paid		-	-
Net cash outflow from operating activities		(23,227)	(11,146)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(1,241)	(3,257)
Purchases of intangible assets	9	(7)	(104)
Net cash flows used in investing activities		(1,248)	(3,361)
FINANCING ACTIVITIES			
Cash received / on long term borrowings		24,860	15,741
Payments made for right of use assets		(445)	(353)
Net cash flows from financing activities		24,415	15,388
Net Decrease / Increase in cash equivalents		(60)	881
Cash & cash equivalents at beginning of period		1,266	385
Cash & cash equivalents at end of period		1,206	1,266

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

1. Corporate Information

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 26 September 2024. The Company is a limited company incorporated and domiciled in England & Wales. The address of the registered office is given on page 7. The nature of the Company's operations and principal activities are set out in the Directors' report.

2. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated, and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

Going concern

The Company has prepared its financial statements for the year ended 31 December 2023 on the going concern basis.

In performing their review of the appropriateness of preparing the 2023 financial statements on the going concern basis, the Directors have taken into account the trading performance of the Company for the year ended 31 December 2023. The Directors note that a loss after tax for the year of £7,748,000, (2022: loss £12,047,000), and net liabilities increasing to £57,045,000 (2022: £50,181,000). Furthermore, the company has a Group loan balance of £75,945,000 at 31 December 2023 (2022: £51,085,000), amongst other intercompany payables and receivables. In addition, the majority of revenue in the company is derived from contracts with the parent entity.

In view of the above, the Directors have concluded the company is reliant on continued parental financial support. The parent entity has provided a letter of support guaranteeing provision of funding if it were to be required for up to 12 months from approval of the balance sheet. The directors have made appropriate enquiries and performed procedures to satisfy themselves that if support were to be required, it could be provided and that its parent company has sufficient resources to provide the financial support.

On the basis of all of this, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the approval of the balance sheet (the going concern period). On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

2. Accounting Policies (continued)

The principal accounting policies adopted are set out below:

Intangible assets

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed for impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

On disposal of an acquired business, the attributable amount of goodwill is included in determining the profit or loss on disposal.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the Directors are satisfied that all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

In such cases, an internally generated intangible asset is recognised and amortised on a straight-line basis over its useful life.

Software

Software is measured initially at purchase cost and amortised over its useful economic life.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

2. Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	3 to 10 years
Plant and equipment	3 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition and is revised annually.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the costs of the asset.

Right of use assets

Right of use assets represent the rights acquired under lease agreements, and are subject to an annual amortisation charge in the statement of income which will amortise on a straight line basis the initial value recognised for each right of use asset, less any guaranteed termination sum to be received by the Company on expiry of the lease term, over the shorter of its economic life and the lease period.

Further detail on right of use leased assets is provided in the accounting policy below on Leases.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

2. Accounting Policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the first-in-first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Un-invoiced research and development fully funded by customers is carried forward as work in progress.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

For the purposes of subsequent measurement, the Company's financial assets are classified and measured at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets measured at amortised cost comprise trade and other receivables, contract assets and receivables from group undertakings.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

2. Accounting Policies (continued)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

For trade and other receivables, contract assets and receivables from group undertakings, the Company applies a simplified approach in calculating ECLs. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

2. Accounting Policies (continued)

Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy.

On initial designation of the hedge, the Company formally documents the relationship between the hedge instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, whether each hedging instrument is expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should prevent an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Where a cash flow hedge is designated as the hedging instrument, in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of income as the hedged item.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

2. Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Borrowings

Interest-bearing loans are initially recorded at the proceeds received, net of direct issue costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Leases

The Company has in place lease agreements in respect of property and vehicles.

Leases are accounted for in accordance with the requirements of IFRS 16 'Leases'. Where the Company has a contract with another party which meets the qualifying criteria as set out in IFRS 16, the Company recognises in its statement of financial position a right of use asset and a corresponding lease liability to the third party (the lessor).

The lease liability represents the Company's obligation to make future lease payments to the lessor, including the amount of any optional increases or reductions in lease period which the Directors consider to be reasonably certain, less any lease incentives receivable. The lease liability incurs interest at a rate which is determined based on the inherent rate of interest in the lease, or if this cannot be determined, at a lease specific incremental borrowing rate, and the interest incurred using this rate is charged in the statement of income, and the amount of any lease payments made by the Company to the lessor, after adding interest to the lease liability, is used to amortise the carrying value of the lease liability in the statement of financial position. Leases of low-value assets or short-term leases are immediately expensed in profit or loss.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

2. Accounting Policies (continued)

Future lease commitments to be paid are disclosed in the financial statements and notes after making a deduction for interest which will arise in future accounting periods, such that the lease principal which remains outstanding at each reporting date is allocated between amounts due within less than twelve months and amounts due after more than twelve months. These are then presented in the statement of financial position under current liabilities and non-current liabilities, respectively.

Revenue recognition

The Company's principles of revenue recognition are the following:

Unbundling of multiple performance obligations within a single contract

Some contracts include the supply to the customer of distinct goods and services (for instance contracts combining build followed by operation and maintenance). In such situations, IFRS 15 requires the contract to be segmented into separate components ("performance obligations"), with each component being accounted for separately, with its own revenue recognition method and margin rate.

The selling price is allocated to each performance obligation in proportion to the standalone selling price of the underlying goods and services. This allocation should reflect the share of the price to which the Company expects to be entitled in exchange for the supply of these goods or services.

Options notified by the customer for the supply of distinct additional goods or services are generally accounted for separately.

Evaluation of revenue allocated to performance obligations

Revenue includes contractual income from claims only when it is highly probable that such claims will be accepted by the customer.

Contractual amendments negotiated with customers are included in the selling price only when they become legally enforceable.

Variable consideration included in the selling price is taken into account only to the extent that it is highly probable that a significant reversal in the amount of revenue already recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Penalties for late delivery or for the improper execution of a contract are recognised as a deduction from revenue.

If the financing component is deemed significant, the selling price is adjusted to reflect a "cash" selling price for the goods and services provided. A financing component exists when either the Company or customer obtains a significant benefit of financing, through contractual terms.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

2 Accounting Policies (continued)

Recognition of revenue over time or at a point in time

Revenue associated with each performance obligation identified within a contract is recognised when the obligation is satisfied, i.e. when the control of the promised goods or services is transferred to the customer.

To demonstrate that the transfer of goods is progressive and revenue can be recognised over time, the following cumulative criteria are required:

- The goods sold have no alternative use, and
- The Company has an irrevocable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date, in the event of termination for reasons other than the Company's failure to perform as promised.

These criteria are fulfilled by the vast majority of the Company's contracts that include the design and delivery of complex goods.

Revenue from service contracts is also generally recognised over time, as the customer simultaneously receives and consumes the benefits of these services provided by the Company. The percentage of completion method generally used by the Company is expense-based, with revenue recognised based on the costs incurred to date in relation to the total costs expected upon completion.

Revenue from the sale of goods with an alternative use, and/or for which the Company has no right to payment in case of termination for convenience by the customer, is recognised when the goods are delivered to the customer. This essentially concerns equipment and spare parts.

Margin recognition:

Bid costs are expensed as incurred under distribution costs in the statement of comprehensive income. Consequently, they are excluded from contract margin.

Expected losses on contracts are fully recognised as soon as they are identified.

Order backlog and balance sheet presentation for contracts with customers

Order backlog corresponds to the amount of the selling price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the balance sheet date.

The cumulated amount of revenue accounted for, less progress payments and accounts receivable is determined on a contract-by-contract basis. If this amount is positive, the balance is recognised under "contract assets" in the balance sheet. If it is negative, the balance is recognised under "contract liabilities".

Reserves for onerous contracts (reserves for loss at completion) are excluded from contract assets and liabilities and presented under "accrued contract costs" in provisions for liabilities.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

2. Accounting Policies (continued)

The timing of revenue recognition, billings and cash collections results in billed accounts receivables and unbilled receivables (contracts assets) and customer advances and deposits (contract liabilities) on the balance sheet. Amounts are billed in accordance with agreed-upon contractual terms either at periodic intervals or upon the achievement of contractual milestones.

Billing can occur before and after revenue has been recognised. After revenue due to the receipt of consideration is frequently conditional on meeting certain contractual milestones, resulting in contract assets. Before revenue due to the company also receiving advances from customers or down payments before revenue has been recognised and these are treated as contract liabilities until the associated revenue is recognised. These assets and liabilities are reported in the balance sheet on a contract by contract basis at the end of each reporting period. Changes in these contract assets and liabilities during the year ended 31 December 2023 were not materially impacted by any other factors.

Taxation

The tax charge comprises current and deferred tax.

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is the expected tax payable on the profit for the period and any adjustments in respect of previous years using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted at the balance sheet date or the date that the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to retirement benefit schemes are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

2. Accounting Policies (continued)

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Significant accounting estimates and judgements

The preparation of financial statements requires the Company to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets recognised in the financial statements are listed below:

Long-term contracts

Long-term contract arrangements are accounted for in accordance with IFRS 15. This requires estimates of future expected costs to be incurred.

Total expected revenue and costs on a contract reflect management's best estimate of the total contract value (including estimates of variable consideration) and obligations associated with the contract. Assumptions to calculate present obligations take into account current technology as well as the commercial and contractual positions, assessed on a contract-by-contract basis. The introduction of technologically advanced products exposes the Company to risks of product failure significantly beyond the terms of standard contractual warranties applying to the supply of equipment only.

In addition, obligations on contracts may expose the Company to penalties due to late completion of milestones or additional costs due to project modifications, suppliers' or subcontractors' failure to perform or delays caused by unexpected conditions or events.

Whilst the Company makes and regularly reviews assumptions relating to these inherent risks, there is a risk that the actual outcomes against these assumptions may differ over time with the result that financial performance already reported may need to be revised and estimates of future financial performance may also need to be revised.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

3. Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended standards and interpretations

There were no new or amended standards or interpretations adopted in the year ended 31 December 2023.

New standards issued but not yet effective

None of the standards, interpretations and amendments which are effective for accounting periods beginning on or after 1 January 2023, and which have not been adopted early, are expected to have a material effect on the financial statements.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

4 Revenue

The Company's revenue is as follows:

	2023 £000	2022 £000
Revenue from contracts UK	2,034	1,879
Revenue from contracts Rest of Europe	45,539	34,857
Revenue from contracts Rest of World	1,186	-
Revenue per statement of comprehensive income	48,759	36,736

All revenue is derived from contracts with customers based across world.

	2023 £000	2022 £000
Contract price allocated to performance obligations not yet satisfied at 1 January	93,183	54,382
Order intake in year	52,009	75,537
Revenue for the year as defined in IFRS 15	(48,759)	(36,736)
Contract price allocated to performance obligations not yet satisfied at 31 December	96,433	93,183

For the contract price allocated to performance obligations not yet satisfied at 31 December 2023 and 2022, the revenue is anticipated to be recognised in the following years:

	2024 £000	2025 £000	>2025 £000
At 31 December 2023	45,550	39,141	11,742
	2023 £000	2024 £000	>2024 £000
At 31 December 2022	49,349	25,213	18,621

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

5 Loss before taxation

Loss before taxation is stated after charging/(crediting) the following:

	2023 £000	2022 £000
Depreciation of leasehold improvements, plant and equipment (Note 10)	800	666
Impairment of property, plant and equipment (Note 10)	1,302	-
Depreciation of right of use assets (Note 10)	250	531
Amortisation of intangible assets (Note 9)	7	104
Staff costs (Note 7)	17,073	15,443
Research and development costs (excluding staff costs)	1,183	3,139
Research and development tax credit	(1,261)	(701)
Auditor's remuneration - audit services	56	54
Materials, equipment's, and subcontracts	35,535	23,477
	<u> </u>	<u> </u>

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2022: £nil).

6 Finance income and costs

	2023 £000	2022 £000
Finance income		
Losses on cash flow hedges	<u>(1)</u>	<u>-</u>
Finance costs		
Interest payable on loans from group undertakings	3,022	1,040
Interest payable on leases	93	98
	<u>3,115</u>	<u>1,138</u>

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

7 Staff costs

The average monthly number of employees (including executive directors) was:

	2023 Number	2022 Number
Engineering and operations	205	188
Administration	4	4
Sales	5	6
	214	198

	2023 £000	2022 £000
Their aggregate remuneration comprised:		
Wages and salaries	14,788	13,299
Social security costs	1,530	1,481
Pension costs (Note 18)	755	663
	17,073	15,443

	2023 £000	2022 £000
Directors' remuneration		
Remuneration of directors	285	278
Pension scheme contributions	26	25
Compensation for loss of office	-	-
Number of directors accruing benefits under the following schemes:		
Money purchase schemes	1	1
The number of directors who exercised share options	-	-
The number of directors who received share-based units under long term incentive schemes	1	1

Details of highest paid director

	2023	2022
Remuneration	285	278
Pension scheme contributions	26	25

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

8 Taxation

	2023 £000	2022 £000
Current tax		
UK corporation tax	297	133
Total current tax expense	<u>297</u>	<u>133</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior years	-	-
Total deferred tax expense	<u>-</u>	<u>-</u>
Total tax expense on loss on ordinary activities	<u>297</u>	<u>133</u>

The tax charge for the period can be reconciled to the statement of comprehensive income as follows:

	2023 £000	2022 £000
Loss before tax	(7,451)	(11,914)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19%)	(1,753)	(2,264)
Expenses not deductible	64	15
Adjustments in respect of prior years (deferred tax)	-	-
Tax rate changes	-	-
Movement in deferred tax assets not recognised	1,689	2,249
RDEC tax surrendered at nil charge	297	133
Total tax expense on ordinary activities	<u>297</u>	<u>133</u>

In addition to the amount charged to the income statement, deferred tax has been charged directly to equity as detailed below:

	2023 £000	2022 £000
Net loss on revaluation of cash flow hedges	-	-

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

8 Taxation (continued)

	Capital allowances £000	Cash flow hedges £000	Total £000
Deferred tax asset:			
As at 31 December 2022	-	-	-
Deferred tax charged to equity	-	-	-
Deferred tax charged to statement of income	-	-	-
As at 31 December 2023	-	-	-
Deferred tax liability:			
As at 31 December 2022	-	-	-
Deferred tax credited to the statement of comprehensive income	-	-	-
As at 31 December 2023	-	-	-
Net deferred tax asset/liability:		2023 £000	2022 £000
Deferred tax asset		-	-
Deferred tax liability		-	-
Net deferred tax asset		-	-

A deferred tax asset of £14,923,000 has not been recognised (2022: £13,350,000) in respect of capital allowances, cash flow hedges, tax losses and other timing differences. This asset may be recovered if sufficient taxable profits arise in the future.

Following the 2022 autumn statement, it was decided to maintain the increase in corporation tax rate to 25% with effect from 1 April 2023. The higher rate has been substantially enacted following the third reading of the Finance Bill Autumn 2023 on 30 November 2022.

The deferred tax balances as at 31 December 2023 have been calculated at 25% as this is the rate that has been substantially enacted at the Balance Sheet Date.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

9 Intangible assets

	Computer Software £000	Goodwill £000	Total £000
Cost			
At 31 December 2021	943	10,514	11,457
Additions	104	-	104
At 31 December 2022	1,047	10,514	11,561
Additions	7	-	7
At 31 December 2023	1,054	10,514	11,568
Amortisation and Impairment			
At 31 December 2021	943	10,514	11,457
Charge for the year	104	-	104
At 31 December 2022	1,047	10,514	11,561
Charge for the year	7	-	7
At 31 December 2023	1,054	10,514	11,568
Carrying amount			
At 31 December 2021	-	-	-
At 31 December 2022	-	-	-
At 31 December 2023	-	-	-

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

10 Property, plant and equipment

	Right of use assets – Vehicles £000	Right of use assets - Buildings £000	Leasehold Improvements £000	Plant & Equipment £000	Total £000
Cost					
At 1 January 2022	123	1,029	844	5,698	7,694
Additions	20	3,775	85	3,257	7,137
Disposals	(11)	(1,028)	-	-	(1,039)
At 31 December 2022	132	3,776	929	8,955	13,792
Additions	-	2,194	492	750	3,435
Disposals	(17)	(1,804)	-	-	(1,821)
Reclassification	-	-	2,264	(2,264)	-
At 31 December 2023	115	4,166	3,685	7,441	15,406
Depreciation and Impairment					
At 1 January 2022	43	741	778	2,430	3,992
Charge for the year	30	501	65	601	1,197
Disposals	(11)	(1,028)	-	-	(1,039)
At 31 December 2022	62	214	844	3,030	4,150
Charge for the year	36	214	16	784	1,050
Disposals	(17)	(241)	-	-	(258)
Impairment / Write off	-	-	1,302	-	1,302
At 31 December 2023	81	187	2,162	3,814	6,244
Carrying amount					
At 1 January 2022	80	288	66	3,268	3,702
At 31 December 2022	70	3,562	85	5,925	9,642
At 31 December 2023	34	3,979	1,523	3,627	9,162

Fit out infrastructure costs in progress in relation to premises have been reclassified from Plant and Equipment to Land and Buildings £2,264,000. Due to part of the building ceasing to be leased the associated costs of £1,302,000 have been written off.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

11 Trade and other receivables

	2023	2022
	£000	£000
Invoiced amounts receivable from contracts with third party customers	2,139	2,538
Unbilled amounts receivable from contracts with third party customers	1,815	2,022
Invoiced amounts receivable from group undertakings	16,092	9,521
Unbilled amounts receivable from group undertakings	13,571	2,700
Amounts receivable from the sale of goods and services - net	33,617	16,781
Other receivables and prepayments	4,391	3,762
	38,008	20,543

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

12 Inventories

	2023	2022
	£000	£000
Work-in-progress	12,767	3,881
	12,767	3,881

The amount of write down of obsolete inventories recognised as an expense in the year was £nil (2022: £nil).

13 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

14 Trade and other payables

	2023	2022
	£000	£000
Trade payables	3,477	3,666
Amounts payable to group undertakings	3,147	3,910
Advances from customers	2,806	400
Advances from group undertakings	15,140	10,296
Other payables and accruals with third parties	7,185	4,981
Other payables and accruals with group companies	4,723	2,750
	36,478	26,003

The Directors consider that the carrying amount of trade payables approximates their fair value.

The average credit period taken for trade purchases (including inter-company payables) is 74 days (2022: 75 days).

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

15 Lease liabilities

At the year end the Company had the following liability to make future lease payments:

At 31 December 2023

	Gross payments £000	Interest not yet incurred £000	Net obligation £000
Lease payments due in less than 12 months	678	(21)	657
Lease payments due between 12 months and 5 years	2,903	(334)	2,569
Lease payments over 5 years.	692	(126)	566
Total lease payments	4,273	(481)	3,792

The total cash outflow during the year in relation to the above leases was £538,000 split £445,000 shown on line payments made for right of use leased assets and £93,000 incorporated within interest paid on the cash flow statement.

At 31 December 2022

	Gross payments £000	Interest not yet incurred £000	Net obligation £000
Lease payments due in less than 12 months	825	(20)	805
Lease payments due between 12 months and 5 years	2,642	(204)	2,438
Lease payments over 5 years.	521	(21)	500
Total lease payments	3,987	(245)	3,743

The total cash outflow during the year in relation to the above leases was £451,000 split £353,000 shown on line payments made for right of use leased assets and £98,000 incorporated within interest paid on the cash flow statement.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

16 Provisions

	Contract loss provisions	Total	To be utilised in <12 months	To be utilised in >12 months
	£000	£000	£000	£000
At 31 December 2022	2,551	2,551	1,726	825
Provided in the year	2,539	2,539		
Utilised	(3,174)	(3,174)		
At 31 December 2023	1,916	1,916	731	1,185

17 Borrowings

Non-current	2023 £000	2022 £000
Amounts owed to group undertakings	75,945	51,085
	75,945	51,085

Intercompany Loan agreement with Interest based on overnight reference rate for relevant currency plus or minus a margin determined by the centralised department typically +/- 0.25%. Interest calculation is made in accordance with market practices.

18 Retirement benefit schemes

The Company offers a defined contribution pension scheme to its employees.

Defined contribution scheme

The total cost charged to income for the year in relation to the defined contribution scheme amounted to £755,000 (2022: £663,000) representing contributions payable to the scheme by the Company at rates specified in the rules of the plan. There were no contributions outstanding at 31 December 2023 (2022: £nil).

19 Share capital

	2023 £000	2022 £000
<i>Authorised</i>		
5,000,001 ordinary shares of £1 each	5,000	5,000
<i>Allotted, called-up and fully-paid</i>		
5,000,001 ordinary shares of £1 each	5,000	5,000

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2023.

20 Financial instruments

Set out below is a comparison of the carrying amounts and fair value of all of the Company's financial instruments. As at 31 December 2023 the Company held the following financial instruments measured at fair value:

	2023		2022	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets:				
Trade and other receivables	37,932	37,932	20,488	20,488
Derivative financial instruments	985	985	1,975	1,975
Financial liabilities:				
Trade and other payables	(18,532)	(18,532)	(15,307)	(15,307)
Borrowings	(75,945)	(75,945)	(51,085)	(51,085)
Derivative financial instruments	(1,043)	(1,043)	(4,106)	(4,106)

The carrying amount of the assets above represents the Company's maximum exposure to credit risk.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly.

Level 3: techniques, which use inputs, which have a significant effect on the recorded fair value that are not based on observable market data.

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements (continued)
for the year ended 31 December 2023

20 Financial instruments (continued)

	Total at 31 December 2023 £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets measured at fair value				
Foreign exchange contracts	985	-	985	-
Liabilities measured at fair value				
Foreign exchange contracts	(1,043)	-	(1,043)	-

	Total at 31 December 2022 £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets measured at fair value				
Foreign exchange contracts	1,975	-	1,975	-
Liabilities measured at fair value				
Foreign exchange contracts	(4,106)	-	(4,106)	-

Currency derivatives

The Company utilises foreign currency forward contracts in the management of its exchange rate exposures. The instruments are purchased internally from the Group treasury department in Paris and are primarily denominated in the currencies of the Company's principal markets. At the date of the statement of financial position, the total notional amount of outstanding forward foreign exchange contracts to which the Company is committed are as follows:

	2023 £000	2022 £000
Forward foreign exchange contracts:		
Euros	290,721	154,644
US Dollars	16,342	7,255

At 31 December 2023, the fair value of the Company's currency derivatives was a Loss of £58,000 (2022: Loss of £2,131,000). These amounts are based on quoted market prices for equivalent instruments at the date of the statement of financial position, comprising £986,000 of assets and £1,044,000 of liabilities (2022: £1,975,000 of assets and £4,106,000 of liabilities).

	<1yr £000	<5yr £000
Split by maturity:		
Euros	254,167	36,554
US Dollars	16,342	-

THALES ALENIA SPACE UK LIMITED
Notes to the financial statements
for the year ended 31 December 2023

21 Payments under short term leases

At the date of the statement of financial position the Company had no outstanding commitments under short term leases (2022: £nil). The total cash outflow during the year in relation to short term leases was £nil (2022: £nil).

22 Related party transactions

The Company is wholly owned by Thales Alenia Space SAS which is a joint venture set up by Thales SA and Leonardo SpA 67% of Thales Alenia Space SAS is owned by Thales SA, the ultimate parent, a company incorporated in France. The remaining 33% of the Company is owned by Leonardo SpA, a company incorporated in Italy.

Trading transactions

During the year, the Company entered into the following trading transactions with related parties:

	Sales of goods and services		Purchases of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000	£000	£000
Immediate Parent company	-	-	565	367	118	170	-	-
Fellow subsidiaries of Immediate parent company	39,003	29,298	4,899	5,577	29,485	12,061	91,850	62,571
Other Thales group companies	-	-	30,518	24,561	60	-	2,452	2,720

There are no provisions for doubtful debts relating to related parties. The expenses recognised in the year in respect of bad and doubtful debts due from related parties was £nil (2022: £nil).

Sales of goods and services to related parties were made at the Company's usual list prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

23 Subsequent Events since the balance sheet date

In the Directors' view, apart from the subsequent event described here and on page 11 in the Directors report, there are no other events which have occurred since the balance sheet date which require disclosure, or would require any of the financial amounts as recorded at 31 December 2023 to be adjusted. Space activity benefits from favourable growth prospects in most of its activities, notably observation, exploration, navigation, military telecommunications and services. However, the commercial telecommunications activity is facing a disrupted situation due to structurally weaker demand. In March 2024, as part of the Thales Group 2023 results announcement, the Group announced an adaptation plan in Thales Alenia Space. This change seeks to transform the business by focusing efforts on two key markets and customers. The first of these is Propulsion which has gone from strength to strength in the development and growth of skills, market share, and profitability. The second area is UK Defence where a growing market has been identified with support from Thales UK. This does mean that the business will be ceasing work in other areas where there is not the same market share or opportunity to deliver growth and profitability at a rate that is sustainable. It is intended that this transformation be completed by December 2025.