

MBDA UAE Limited
Directors' Report and Financial Statements
For the year ended 31 December 2021

Registered Number: 469781

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Directors' Report and Financial Statements
For the year ended 31 December 2021

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Directors' Report

For the year ended 31 December 2021

The Directors present their annual report and the audited financial statements of MBDA UAE Limited (the "Company") for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is the supply, installation and commissioning of communications and military systems equipment overseas.

Business Review

During the year under review the Company continued to discharge its obligations under contracts for the supply and subsequent in service support of precision guided munitions and equipment. Turnover for the year was £1,225k (2020: £1,297k) which relates wholly to the provision of subsequent support services. The Company will continue to discharge such obligations over the remaining life of its existing contracts and will continue to support any future contracts that may be secured over the coming years. COVID-19 emerged as a potentially significant risk to the business however the Company has been able to continue to operate with no disruption to the business.

Proposed dividend

The directors do not propose a dividend payment (2020: £Nil).

Directors and directors' interests

The directors who held office during the period under review and up to the date of signing were:

I D West
M J Lester

According to the register kept by the Company in accordance with Section 182 of the Companies Act 2006 the Directors had no interests in the shares of the Company or of any other MBDA Group Company.

Employees

Employment policies include a commitment to equal opportunity and are designed to attract and retain the best employees regardless of gender and sexual identity, marital status, age, nationality, or disability, subject only to considerations of national security. The Company recognises its legal and social responsibilities towards people with disabilities and gives full and fair consideration to applications for employment made by them, having regards to their particular aptitudes and abilities. Where any employee becomes disabled, every reasonable effort is made to ensure that their employment is continued and that they receive the same opportunities for training, career development and promotion as other employees.

Political contributions

The Company made no political contributions during the year (2020: £Nil).

Financial instruments

The nature of the business means it is exposed to volatility in currency exchange rates. In order to protect itself against currency fluctuations the Company's policy is to remove exchange rate risk by the placing of foreign currency exchange deals. The Company accounts for forward currency contracts under hedge accounting as permitted by IFRS 9.

Going concern

After making detailed enquiries, the Board of Directors is confident that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statements on a going concern basis. The basis of preparation on page 14 provides further detail on the directors' assessment of going concern.

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Directors' Report

For the year ended 31 December 2021 (continued)

Auditor

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

In the case of each of the persons who were Directors of the Company at the date of approval of this Directors' Report they confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Company is domiciled and incorporated in the UK with registered number 469781 and its registered office is as shown below.

By Order of the Board



G J Logg
Secretary

Date: 13/04/22

Registered office

PO Box 19
Six Hills Way
Stevenage
Hertfordshire SG1 2DA

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MBDA UAE LIMITED

Opinion

We have audited the financial statements of MBDA UAE Limited ("the Company") for the year ended 31st December 2021 which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2021 [and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud:

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes and management meeting minutes
- Considering remuneration incentive schemes and performance targets

- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as contract accounting judgements.

We did not identify any other fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.
- Assessing significant accounting estimates for bias, including those relevant to contract accounting judgements and related revenue recognition.
- Testing a sample of revenue transactions where revenue is recognized on a point in time basis to supporting documentation to assess whether revenue has been recorded in the correct period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

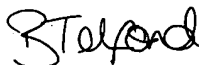
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

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

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

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



Bethan Telford (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date 20 June 2022

Statement of Profit or Loss
for the year ended 31 December

		2021 £000	2020 £000
Contract Revenue	2	1,224.9	1,297.4
Raw materials & consumables used		(1,067.2)	(1,062.4)
Staff costs	4	(587.7)	(387.8)
Depreciation & amortisation		(79.8)	(124.0)
Other external income/(charges)		493.2	450.7
Operating profit/(loss)	3	(16.6)	173.9
Net Finance (expense)/income	5	(4.1)	(8.9)
Operating profit/(loss)		(20.7)	165.0
Taxation	6	64.8	(100.7)
Profit/(Loss) after taxation		44.1	64.3

All of the Company's activities are in respect of continuing operations.

The notes on pages 14 to 27 form part of the financial statements.

Statement of Comprehensive Income
for the year ended 31 December


	2021 £000	2020 £000
Profit/(Loss) for the year	<u>44.1</u>	<u>64.3</u>
Items that may be reclassified to the income statement :		
Hedging Reserves	-	(1.7)
Tax on items that may be reclassified to the income statement	-	0.3
Other comprehensive (loss)/income for the year	<u> </u>	<u>(1.4)</u>
Total recognised income and expense	<u><u>44.1</u></u>	<u><u>62.9</u></u>

The notes on pages 14 to 27 form part of the financial statements.

Statement of Financial Position
at 31 December

Assets	Note	2021 £000	2020 £000
Property, plant & equipment	7	21.9	20.4
Right of use assets	8	90.3	122.8
Derivative financial asset	16	-	141.9
Deferred tax asset	12	12.6	8.7
Total non-current assets		124.8	293.8
Inventories		-	-
Contract Assets	2	-	638.1
Trade and other receivables	9	3,318.6	2,738.1
Total current assets		3,318.6	3,376.2
Total assets		3,443.4	3,670.0
Liabilities			
Overdraft		(592.4)	(780.5)
Contract Liabilities	9	(246.2)	-
Trade and other payables	10	(1,591.9)	(1,933.2)
Total current liabilities		(2,430.5)	(2,713.7)
Trade and other payables	10	(43.5)	(56.4)
Provisions	11	(335.6)	(329.3)
Derivative financial liability	16	(20.7)	-
Total non-current liabilities		(399.8)	(385.7)
Total liabilities		(2,830.3)	(3,099.4)
Net assets		613.1	570.6
Equity			
Called up share capital	13	0.1	0.1
Reserves		613.0	570.5
Total equity		613.1	570.6

These financial statements were approved by the Board of Directors and were signed on its behalf by:


 M. Lester
 Director
 Date: 13 JUNE 2022

Registered number: 469781

Statement of Changes in Equity

	Share Capital	Hedging Reserves	Retained Earnings	Total Equity
	£000	£000	£000	£000
Balance at 1 January 2020	0.1	1.4	504.8	506.3
Change in accounting policy	-	-	-	-
Effective portion of changes in fair value of cash flow hedges (net of deferred tax)	-	(1.4)	1.4	-
Retained profit for the year	-	-	64.3	64.3
Balance at 31 December 2020	0.1		570.5	570.6
Balance at 1 January 2021	0.1	-	570.5	570.6
Change in accounting policy	-	-	(1.6)	(1.6)
Retained profit for the year	-	-	44.1	44.1
Balance at 31 December 2021	0.1	-	613.0	613.1

Statement of Cash flows
for the year ended 31 December

	2021	2020
	£000	£000
Cash flows from operating activities		
Profit/(loss) for year before tax	(20.7)	165.0
Adjustment for:		
Depreciation & amortisation	79.8	124.0
Interest paid/(received)	4.1	5.4
Movement in contract assets	884.3	983.7
Movement in receivables	(547.5)	24.7
Movement in payables	(296.8)	(987.3)
Movement in financial (asset)/liability	162.6	(128.7)
Movement in deferred tax	-	(0.9)
Movement in provisions	6.3	(59.0)
Taxation	-	(100.7)
Net cash from operating activities	272.1	26.1
Cash flows from investing activities		
Interest received	-	0.7
Capital expenditure	(15.0)	-
Net cash from investing activities	(15.0)	0.7
Cash flows from Financing activities		
Interest paid	(4.1)	(6.1)
Payment of lease liabilities	(64.9)	(113.6)
Net Cash from Financing activities	(69.0)	(119.7)
Net decrease in cash and cash equivalents	188.1	(92.8)
Cash and cash equivalents at 1 January	(780.5)	(687.7)
Cash and cash equivalents at 31 December	(592.4)	(780.5)

Notes to the financial statements

For the year ended 31 December 2021

1. Accounting policies

MBDA UAE Limited ("the Company") is a company incorporated, domiciled and registered in England in the UK. The registered number is 469781 and the registered address is PO Box 19, Six Hills Way, Stevenage, Hertfordshire SG1 2DA.

Basis of preparation

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

Notwithstanding net current assets of £0.9m, the Company held an overdraft position with MBDA Group companies of £0.6m at 31 December 2021. As such, the Company is reliant on the continued provision of overdraft facilities from MBDA Group companies. MBDA International Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the 12 months from the date of signing these financial statements by meeting its liabilities as they fall due for payment.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. In forming their conclusion, the Directors have made appropriate inquiries of the parent company, including with regard to the impact of COVID-19, and have not identified any matters which impact its conclusions regarding the ability of the company to continue as a going concern. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law, and under the historical cost accounting rules.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. The functional currency of the financial statements is GBP and these financial statements are presented in £'000s.

1. ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Contract profit is calculated by reference to reliable estimates of contract revenue and forecast costs after making suitable allowance for technical and other risks related to performance milestones yet to be achieved. Material changes in one or more of these estimates, whilst not anticipated, would affect the profitability of individual contracts.

IFRS 15 outlines principles for the measurement and recognition of revenue from contracts with customers, with the core principle being that revenue should be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods and services to the customer. In order to achieve this objective, the standard sets out a five-step model:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue when or as the entity satisfies a performance obligation.

The standard also covers the accounting for the incremental costs of obtaining a contract and the costs to fulfil a contract, together with presentation and disclosure requirements.

Performance obligations and revenue recognition policies

Revenue is recognised based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control of a good or services to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies are set out below.

Support goods and services

Customers generally obtain control of support goods when the customer has legal title to the goods. Customers generally obtain control of services as they are provided.

For support goods, revenue is generally recognised at a point in time, when the customer has legal title to the goods. For support services, revenue is generally recognised over time, as the customer receives the service.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis and is charged to the income statement over the estimated useful economic life as follows:

Fixtures, Fittings and Equipment	10 years
Computer Equipment	3 years to 5 years

Inventories

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the moving average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Trade and other receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

1. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases

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

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone-price.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated using the straight line method from the commencement date to the date of the end of the lease term.

The lease liability is initially measured at present value of the outstanding lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate.

Short-term leases and leases of low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use assets are presented in "Land and buildings", "Plant and equipment" and "Fixtures, Fittings, Tools and Equipment".

Lease liabilities are presented in "Trade and other payables".

Cash and cash equivalents/overdrafts

Cash and cash equivalents comprise cash balances, call deposits and overdrafts.

Impairment

The carrying amounts of the Company's assets, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement to the extent that they do not qualify for hedge accounting, otherwise such gains or losses are recognised in equity.

1. ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging

The Company uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with group treasury policy, MBDA UAE does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair values are determined based on current market exchange rates at the balance sheet date.

Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity in the hedging reserve. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognised in the income statement immediately.

(ii) Hedge of monetary assets and liabilities.

No derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Finance income

Finance income comprises interest receivable on funds invested. It is recognised in the income statement as it accrues.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax 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 taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Contract Revenue

Disaggregation of revenue from contracts with customers:

Primary Geographical Markets	2021 £m	2020 £m
Middle East	1,224.9	1,297.4
Revenue	1,224.9	1,297.4
Nature of Goods and Services	2021 £m	2020 £m
Support	1,224.9	1,297.4
Revenue	1,224.9	1,297.4
Timing of Revenue Recognition	2021 £m	2020 £m
Over Time (OT)	1,224.9	1,297.4
Revenue	1,224.9	1,297.4

Contract Balances

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

	2021 £m	2020 £m
Receivables, which are included within 'trade and other receivables'	2,455.1	2,341.2
Contract assets/(liabilities)	(246.3)	638.1

The contract assets primarily relate to the Company's right for consideration for work completed but not invoiced at the reporting date. There was no impairment charge on contract assets during the year ended 31 December 2021 (2020: £nil). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

Transaction price allocated to the remaining performance obligations.

As at 31 December 2021, the total transaction price allocated to unsatisfied and partially satisfied performance obligations was circa £1.5m (2020: £0.6m). The Company expects approximately 70% of this balance will be recognised as revenue during the next financial year, with the remainder largely recognised over the following year.

Variable consideration from contracts has not been included in the above numbers to the extent the Company's estimated transaction price has been constrained.

3. Operating profit

	2021 £000	2020 £000
Operating profit is stated after charging/(crediting)		
Depreciation of property, plant & equipment	13.5	14.7
Depreciation on Right of Use Assets	66.3	109.4
Exchange (Gain)/Loss	150.2	(17.9)
Audit Fees	30.2	29.1
Legal Fees and Bank Charges	13.6	13.1

4. Staff numbers and costs

	2021	2020
Average number of employees working overseas	11	9
	£000	£000
Wages and salaries	417.0	236.0
Other staff costs	170.7	151.8
	<u>587.7</u>	<u>387.8</u>

The Directors are full time executives of other MBDA Group companies. The Company considers that there is no practicable method to accurately allocate a portion of the emoluments the Directors receive from their respective Group company employer to the qualifying services they provide to the Company. The Company is also of the opinion any allocation would be immaterial.

5. Finance cost for the current year

	2021 £000	2020 £000
Bank interest	(4.1)	(5.4)
Lease interest payable	-	(3.5)
	<u>(4.1)</u>	<u>(8.9)</u>

6. Taxation recognised in the income statement

	2021	2020
	£000	£000
Current tax		
Current tax charge/(credit) for the period	0.1	31.6
Adjustment for prior year	(61.1)	70.0
	<u>(61.0)</u>	<u>101.6</u>
 Deferred tax (note 12)	 (3.8)	 -
Adjustment for prior year	-	(0.9)
	<u>(64.8)</u>	<u>100.7</u>
 Reconciliation of tax expense		
	2021	2020
	£000	£000
Profit/(Loss) before tax	<u>(20.7)</u>	<u>165.0</u>
Tax charged on profit/(loss) at UK rate of 19% (2020 19.0%)	(3.9)	31.4
Disallowable expenditure	0.2	0.2
Adjustments in respect of prior year's Tax	(61.1)	69.1
Total tax charge/(credit) for the period	<u>(64.8)</u>	<u>100.7</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020 and this change was substantially enacted on 17th March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly however has no impact on amounts held in the balance sheet.

7. Property, Plant & Equipment

	Fixtures, fittings, tools and equipment £000	Total £000
Cost		
Balance at 1 January 2020	253.2	253.2
Additions	-	-
Balance at 31 December 2020	<u>253.2</u>	<u>253.2</u>
Balance at 1 January 2021	253.2	253.2
Additions	15.0	15.0
Disposals	(42.7)	(42.7)
Balance at 31 December 2021	<u>225.5</u>	<u>225.5</u>
Depreciation and impairment		
Balance at 1 January 2020	218.1	218.1
Depreciation charge for the year	14.7	14.7
Balance at 31 December 2020	<u>232.8</u>	<u>232.8</u>
Balance at 1 January 2021	232.8	232.8
Depreciation charge for the year	13.5	13.5
Depreciation on disposals	(42.7)	(42.7)
Balance at 31 December 2021	<u>203.6</u>	<u>203.6</u>
Net book value		
At 31 December 2020	<u>20.4</u>	<u>20.4</u>
At 31 December 2021	<u>21.9</u>	<u>21.9</u>

There have been no impairments of property, plant and equipment in the year (2020: £Nil).

At 31 December 2021 included in costs were assets with a net book value of zero:

Fixture, fittings, tools and equipment £170,770 (2020: £202,837).

8. Right of use Assets

	Lease Vehicles £000	Total £000
Cost		
Balance at 1 January 2020	252.3	252.3
Additions	50.0	50.0
Balance at 31 December 2020	<u>302.3</u>	<u>302.3</u>
Balance at 1 January 2021	302.3	302.3
Additions	44.0	44.0
Disposals	(196.2)	(196.2)
Balance at 31 December 2021	<u>150.1</u>	<u>150.1</u>
Depreciation and impairment		
Balance at 1 January 2020	70.1	70.1
Depreciation charge for the year	109.4	109.4
Balance at 31 December 2020	<u>179.5</u>	<u>179.5</u>
Balance at 1 January 2021	179.5	179.5
Depreciation charge for the year	66.3	66.3
Depreciation on disposals	(186.1)	(186.1)
Balance at 31 December 2021	<u>59.7</u>	<u>59.7</u>
Net book value		
At 31 December 2020	<u>122.8</u>	<u>122.5</u>
At 31 December 2021	<u>90.4</u>	<u>90.4</u>

IFRS 16 has been applied at the beginning of 2019 using the modified retrospective approach. The lease has been amortised over the shorter of the UEL and the lease term unless ownership is to be transferred to the Company at the end of the lease.

9. Trade and other receivables

	2021 £000	2020 £000
Current		
Trade receivables - amounts recoverable on contracts	2,455.1	2,341.2
Prepayments	245.4	244.7
Corporation Tax receivable	91.8	58.8
Amounts owed by group undertakings	526.3	93.4
	<u>3,318.6</u>	<u>2,738.1</u>

10. Trade and other payables

	2021	2020
	£000	£000
Current		
Amounts owed to group undertakings	1,486.2	1,212.4
Accruals	57.6	659.8
Lease obligations (Note 14)	44.5	60.9
Other payables	3.6	-
	<u>1,591.9</u>	<u>1,933.2</u>
Non-current		
Lease obligations (Note 14)	43.5	56.4
	<u>43.5</u>	<u>56.4</u>

11. Provisions

Employee Provisions	2021	2020
	£000	£000
At 1 January	329.3	388.2
Created	31.3	-
Utilised and released	(25.0)	(58.9)
	<u>335.6</u>	<u>329.3</u>

In respect of employee's provisions, these are made to cover the costs of an end of service payment, to which all employees have legal entitlement.

12. Deferred tax

An analysis of the deferred tax balance is shown below:

	1 January 2020	Recognised in income	Recognised in equity	31 December 2020
	£000	£000	£000	£000
Deferred Tax Asset/(Liability)				
Accelerated capital allowances	7.8	0.9	-	8.7
IFRS 9 fair value adjustment (hedging)	(0.3)	-	0.3	-
Net tax asset	<u>7.5</u>	<u>0.9</u>	<u>0.3</u>	<u>8.7</u>

	1 January 2021	Recognised in income	Recognised in equity	31 December 2021
	£000	£000	£000	£000
Deferred Tax Asset/(Liability)				
Accelerated capital allowances	8.7	(0.2)	-	8.5
Losses	-	4.1	-	4.1
Net tax asset	<u>8.7</u>	<u>3.9</u>	<u>-</u>	<u>12.6</u>

13. Called up share capital

	2021 £000	2020 £000
Authorised, allotted, called up and fully paid:		
100 Ordinary shares of £1 each	0.1	0.1

Ordinary shares carry one vote per share.

14. Lease liabilities

	£000
At 1 January 2020	(183.5)
Lease liabilities created	(47.5)
Lease liabilities utilised	113.6
At 31 December 2020	<u>(117.4)</u>
At 1 January 2021	(117.4)
Lease liabilities created	(44.0)
Lease liabilities utilised	63.2
Lease liabilities disposed	10.2
At 31 December 2021	<u>(88.0)</u>

Leased cars are short term commitments between 2-5 years

The company had annual commitments under non-cancellable operating leases as follows under IFRS 16.

	2021 £000	2020 £000
Expiring within one year	(44.5)	(61.0)
Expiring 2 – 5 years	(43.5)	(56.4)
	<u>(88.0)</u>	<u>(117.4)</u>

The expense recognised in the income statement is £66,337 (2020: £109,400)

15. Related party disclosures

	2021 £000	2020 £000
MBDA UK Limited		
Payable	(1,485.0)	(1,211.3)
Horizon Land Limited		
Receivable	86.4	16.4
MBDA International Limited		
Receivable	5.4	5.4
MBDA Treasury Company Limited		
Cash drawn	(753.2)	(975.8)
Interest payable	-	(1.1)
Interest receivable	-	1.1

16. Financial instruments

Exchange risk

The global nature of the business means it is exposed to volatility in currency exchange rates. In order to protect itself against currency fluctuations the Company's policy is to remove exchange rate risk by the placing of foreign currency exchange deals. The Company accounts for forward currency deals under hedge accounting where permitted by IFRS9.

Interest risk

The Company received cash from MBDA Treasury Company Limited on which interest is paid based on LIBOR/EURIBOR. The business is therefore exposed to volatility in underlying interest rates.

Forward currency deals

Forward currency deals are carried at fair value as in the balance sheet.

	2021		2020	
	Asset £000	Liability £000	Asset £000	Liability £000
USD sale	-	(20.7)	141.9	-
Total	-	(20.7)	141.9	-

The fair value of the financial instrument is the price at which one party would assume the rights/and or duties of another party and reflects the future gain or loss that would have occurred should the hedge have not been in place. The fair values are determined based on current market exchange rates at the balance sheet date.

Maturity of the forward currency deals are as shown below.

	2021	2020	2021	2020	2021	2020
	Gain	Gain	Loss	Loss	Net	Net
	£000	£000	£000	£000	£000	£000
< 1 year	-	141.9	(20.7)	-	(20.7)	141.9
1-2 years	-	-	-	-	-	-
2-5 years	-	-	-	-	-	-
Total	-	141.9	(20.7)	-	(20.7)	141.9

The following table presents the Company's assets and liabilities by the measurement basis by which they are fair valued under the IFRS 7 fair value hierarchy at 31 December 2021:

2021	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Assets				
Derivatives used for hedging	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Derivatives used for hedging	-	(20.7)	-	(20.7)
Total liabilities	-	(20.7)	-	(20.7)
2020	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Assets				
Derivatives used for hedging	-	141.9	-	141.9
Total assets	-	141.9	-	141.9
Liabilities				
Derivatives used for hedging	-	-	-	-
Total liabilities	-	-	-	-

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable units).

16. Financial instruments (continued)

(Overdraft)/Deposits

(Overdraft)/Deposits are carried at historic value as below:

	Interest rate	2021 £000	2020 £000
GBP £	LIBOR	(873.6)	(1,008.9)
US \$	LIBOR	120.5	33.1
		<u>(753.1)</u>	<u>(975.8)</u>

Cash drawings/deposits are in GBP and US\$ are made with MBDA Treasury Company Limited and are repayable on demand. The amounts above are included within cash and cash equivalents on the balance sheet. The remaining cash balance is held in current accounts.

17. Subsequent events

There have been no events occurring after December 31, 2021 which require adjustment to or disclosure in these financial statements.

18. Ultimate parent undertakings

The Company is wholly owned within the MBDA SAS group of companies, headed by MBDA SAS I, Avenue Reaumur - 92350 Le Plessis Robinson, Paris, France (incorporated in France). MBDA SAS is owned by BAE Systems plc. Registered office 6 Carlton Gardens London SW1Y 5AD (incorporated in England, 37.5% shareholding), Airbus Group B80 Building 2, Rond-Point Dewoitine BP 90112 31703 Blagnac Cedex France (incorporated in The Netherlands, 37.5% shareholding), and Leonardo SpA Piazza Monte Grappa n. 4 00195 Rome Italy (incorporated in Italy, 25% shareholding).