Registered Number: 5198200

DMC International Imaging Ltd

Report and Financial Statements

31 December 2018

Contents

Directors
Professor Sir M N Sweeting
Mrs S Parker
Mr L Wilson (appointed 7/11/2018)

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Strategic report

Review of the Business

DMC International Imaging Ltd (DMCii) is a UK supplier of remote sensing data products and services for International Earth Observation markets. On 2nd January 2015 all of this business, with the exception of the DMC3 satellite and data provision contract, was transferred to Airbus Defence and Space Ltd, a fellow subsidiary of Airbus Group, as part of a group restructuring exercise.

The results for the year are shown on page 8. The DMC3 project continues to progress well and is now in its third year of service. This constellation of three 1-metre Ground Sampling Distance Earth Observation satellites was manufactured by the company's parent company Surrey Satellite Technology Ltd and sold to the company at an arms-length price, for onward lease of imaging capacity to an external customer.

Key financial performance during the year were as follows:-

	2018	2017	% Change
	£	£	
Turnover	1,626,131	1,747,572	(7%)
Gross Profit	2,116	-	n/a
Operating Profit	89,928	5,918	1,420%
Order backlog	8,230,095	9,856,225	(16%)
Current assets as % of current liabilities ("quick ratio")	107%	108%	(1%)
Total equity	1,004,025	1,051,648	(5%)

The Company's key performance indicators include Turnover, Gross Profit, Operating Profit, Order Backlog and Shareholders Funds.

The revenue recorded in 2018 and going forward now only relates to the data service provision. The entire order backlog relates to the DMC3 project.

Total equity has been reduced to £1,004,024 due to the retained loss for the year of £47,623 recognised during the year.

Principal risks and uncertainties

The Board of the Company monitors key risks and receives a risk register report at each Board meeting. The aim is to manage and control identified risks - strategic, operational, commercial and financial - but risk cannot be eliminated completely.

Financial risk management

The Company finances its operations from SSTL's initial investment, retained profits and the cash pooling facility provided by the Airbus SE Group. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Strategic report (continued)

Principal risks and uncertainties (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk as a result of its operations. The Company's policy is to manage any exchange risk by entering into forward exchange contracts at the time when a contractual risk arises.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where there is a perceived credit risk this is managed through a combination of advance payments, Letters of Credit and insurance cover.

By order of the Board

L J Wilson.

Mr Lee Wilson
Director

Date: 3rd September 2019.

Directors' report

Directors

Directors who served during the year and subsequent to the year end were as follows:
Professor Sir M N Sweeting
Mrs S Parker
Mr L Wilson (appointed 7/11/2018)

Directors' liabilities

The Company has indemnified the directors of the Company against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and remains in force at the date of approving the directors' report.

Dividend

The directors did not pay and do not propose a dividend in the year (2017: £nil).

Future developments

The focus of the Company for the next few years will be the service provision of the DMC3 data provision contract.

Going concern

After making appropriate enquiries including the state of current contracts, and the expected availability of business financing facilities, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors

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 auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditors, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

L J Wilson.

Mr Lee Wilson
Director

Date: 3rd September 2019.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) 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 and prudent;
- state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 auditors' report
to the members of DMC International Imaging Limited

Opinion

We have audited the financial statements of DMC International Imaging Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditors' report (continued)

to the members of DMC International Imaging Limited

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Independent auditors' report (continued)

to the members of DMC International Imaging Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst + Young LLP

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

Date: 4/9/2019

Income Statement and Statement of Comprehensive Income

for the year ended 31 December 2018

Income Statement	*Notes*	*2018* £	*2017* £
Turnover	2	1,626,131	1,747,572
Cost of sales		(1,624,015)	(1,747,572)
Gross profit		2,116	-
Administration expenses		(296,728)	(379,391)
Other operating income		384,540	385,309
Operating profit	3	89,928	5,918
Interest payable and similar charges	5	(146,243)	(99,703)
Loss on ordinary activities before taxation		(56,315)	(93,785)
Tax on (loss) on ordinary activities	6	8,692	6,354
Retained (loss) for the financial year		(47,623)	(87,431)

Statement of Comprehensive Income

Other Comprehensive Income:	Notes	*2018* £	*2017* £
(Loss) for the financial year		(47,623)	(87,431)
Items that can be reclassified to income statement: Other comprehensive income for the year		-	-
Total comprehensive (loss) for the year		**(47,623)**	**(87,431)**

The results of the current year are derived wholly from continuing operations

Statement of Changes in Equity

for the year ended 31 December 2018

	Share Capital Account £	Cash Flow Hedge Reserve £	Profit and Loss Account £	Total Equity £
At 1 January 2017	100,000	-	1,039,079	1,139,079
Loss for the year	-	-	(87,431)	(87,431)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(87,431)	(87,431)
At 31 December 2017	100,000	-	951,648	1,051,648
Loss for the year	-	-	(47,623)	(47,623)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(47,623)	(47,623)
At 31 December 2018	100,000	-	904,025	1,004,025

Share capital account represents the par value of shares issued.

Cash flow hedge reserve represents the cumulative amount of gains and losses on non-matured hedging instruments, which qualify for hedge accounting.

Profit and loss account reserve represents accumulated retained earnings.

Statement of Financial Position

at 31 December 2018

	Notes	*2018* £	*2017* £
Fixed assets			
Tangible assets	7	-	-
		-	-
Current assets			
Trade and other receivables	8	14,443,850	13,821,820
Cash at bank and in hand		-	-
		14,443,850	13,821,820
Creditors: amounts falling due within one year	9	13,439,825	12,770,172
Net current assets		1,004,025	1,051,648
Net assets		1,004,025	1,051,648
Capital and reserves			
Called up share capital	11	100,000	100,000
Cash flow hedge reserve		-	-
Profit and loss account		904,025	951,648
Total equity		1,004,025	1,051,648

These financial statements were approved by the board of directors on 3rd September 2019 and were signed on its behalf by:

LJ Wilson

Mr Lee Wilson
Director

Notes to the financial statements (continued)

at 31 December 2018

1. Accounting policies

1.1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements for the year ended 31 December 2018 were authorised for issue by the board of directors on the date shown on the balance sheet and were signed on the board's behalf by Mr Lee Wilson. The company is incorporated and domiciled in England and Wales.

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

1.2 New and amended accounting policies adopted

The company has applied IFRS9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the first time in 2018. Details of the accounting policies applied under these standards are set out in the detailed Accounting Policies below.

IFRS9 replaces IAS39 'Financial Instruments: Recognition and Measurement' and it applies to all three aspects of financial instruments: classification and measurement; impairment; and hedge accounting. The company applied IFRS9 retrospectively. The effect of the transition on the current and prior period is not considered to be material to the financial statements of the company, and accordingly no adjustment is required to the comparative balances reported in these financial statements.

IFRS15 supersedes IAS11 'Construction Contracts' and IAS18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers. IFRS15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The company adopted IFRS15 using the modified retrospective method of adoption, with the date of application of 1 January 2018. Under this method, the company applied the standard to all contracts that were not completed at this date. As all contract were already recognised on a cost basis this has had no impact in the financial statements.

1.3 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The financial statements have been prepared in accordance with applicable accounting standards and law.

The company has taken advantage of the following disclosure exemptions under FRS101:

(a) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment.*
(b) The requirements of *IFRS 7 Financial Instruments: Disclosures.*
(c) The requirements of paragraphs 91-99 of *IFRS 13 Fair Value Measurement.*
(d) The requirement in paragraph 38 of IAS 1 '*Presentation of Financial Statements*' to present comparative information in respect of:
   (i) paragraph 79(a)(iv) of IAS 1;
   (ii) paragraph 73(e) of IAS 16 *Property Plant and Equipment; and*
(e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of the Financial Statements;
(f) the requirements of IAS 7 Statement of Cash Flows;
(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

Notes to the financial statements (continued)

at 31 December 2018

1 Accounting policies (continued)

(i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

(j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(c) of IAS 36 Impairment of Assets.

1.4 Judgement and key sources of estimation uncertainty

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

The following judgments (apart from those involving estimate) have had the most significant effect on amounts recognised in the financial statements:

Revenue recognition

The PoC method is used to recognise revenue on major contracts (as detailed below). This method places considerable importance on the accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include remaining costs to completion, total contract revenues, contract risks and other judgements. Management continually review all estimates involved in such long term contracts.

1.5 Significant Accounting Policies

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. The company has concluded that it is the principal in its revenue arrangements as it typically controls the goods or services before transferring them to the customer.

Revenue for the sale of spares to customers is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term provided to customers is 30 to 90 days after delivery.

Revenue from contracts for the design, manufacture and delivery of specialist equipment, including satellites for customers, is recognised over time, using an input method to measure progress towards completion of the contract. The input method used is normally costs incurred to date as a percentage of total costs expected to complete the project ('the POC method').

Revenue from the provision of services to customers, including longer term support services for satellites in-orbit, is recognised over time. Where the service is provided over a pre-determined fixed period of time, revenue is initially deferred and recognised on a straight line basis over the period of the contract.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the company transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration.

Notes to the financial statements (continued)

at 31 December 2018

1 Accounting policies (continued)

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due. Contract liabilities are recognised as revenue when the company performs the related contact obligation.

Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and the recoverable amount. Provision for impairment is made through the profit and loss where there is objective evidence that the debt is unlikely to be recovered in full. Balances are written off when the probability of recovering is assessed as remote. Standard terms are 30 days.

Tangible Fixed Assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes cost directly attributable to making the asset capable of operating as intended. Assets in the course of construction are not depreciated. Depreciation commences when the asset is brought into use. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Tools and equipment	-3 years (33% per annum)
Fit out	-5 years (20% per annum)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Intangible Assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected consumption of future economic benefits is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset in derecognised. Amortisation is provided to write off the cost over the estimated useful life as follows:

Software	–	5 years (20% per annum)

Notes to the financial statements (continued)

at 31 December 2018

1 Accounting policies (continued)

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax rates of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

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

Foreign currency translation

Financial statements are presented in sterling, which is also the functional currency. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the rate of exchange at the balance sheet date. All differences are taken to the profit and loss.

Leasing and hire purchase commitments

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

Financial Instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan. The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument. These instruments are initially recognised at fair value.

Notes to the financial statements (continued)

at 31 December 2018

1 Accounting policies (continued)

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-

· financial assets at amortised cost;

· financial assets at fair value through other comprehensive income (FVTOCI); or

· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

· financial liabilities at amortised cost; or

· financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost

The company has elected to designate all financial assets that meet the amortised cost criteria as being FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if it is held for trading and acquired principally for the purpose of selling in the short term. This classification includes derivative assets.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

Loans and payables, held-to-maturity investments, and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the instrument to the net carrying amount of the financial liability. If expected life cannot be determined reliably, then the contractual life is used.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Notes to the financial statements (continued)

at 31 December 2018

1 Accounting policies (continued)

Derecognition

Financial assets

The company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

2. Turnover

An analysis of turnover by geographical market is given below:

	2018	*2017*
	£	*£*
Asia/Australasia	1,626,131	1,747,572
	1,626,131	1,747,572

3. Operating profit

Operating profit is stated after charging:

	2018	*2017*
	£	*£*
Auditors' remuneration		
- audit of financial statements	8,000	8,000
Depreciation of owned fixed assets	-	69,619
Operating leases-land and buildings	158,504	181,148

Notes to the financial statements (continued)

at 31 December 2018

4. Staff costs

The Company employed no staff other than the directors during the year to 31 December 2018 (2017: nil). No qualifying services for which remuneration is payable have been provided by directors during the year (2017: nil).

5. Interest payable and similar charges

	2018	*2017*
	£	*£*
Interest payable to group undertakings	146,243	99,703

6. Taxation

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2018	*2017*
	£	*£*
Current tax:		
UK Corporation tax on (losses)/profits for the year	(8,692)	(6,388)
Tax underprovided in previous years	-	34
Total current tax (credit)/charge for the year	(8,692)	(6,354)
Deferred tax:		
Charge for the year	-	-
Total tax (credit)/charge for the year	(8,692)	(6,354)

(b) Factors affecting tax charge for the year

	2018	*2017*
	£	*£*
Loss on ordinary activities before tax	(56,315)	(93,785)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(10,700)	(18,050)
Effects of:		
Tax underprovided in previous years	-	34
Group relief	8,693	6,385
Movement in unrecognised deferred tax	(6,685)	5,277
Current credit for year	(8,692)	(6,354)

Notes to the financial statements (continued)

at 31 December 2018

6. Taxation (continued)

From 1 April 2017, the main rate of corporation tax was reduced from 20% to 19%. Further reductions to 17% (effective 1 April 2020) were substantively enacted by the year end date. This will reduce the company's future current tax charge accordingly. Deferred tax recognised at the year end date has been calculated based on the above rates.

7. Tangible fixed assets

	Tools, Equipment & software
	£
Cost	
At 1 January 2018 and 31 December 2018	403,791
Depreciation	
At 1 January 2018 and 31 December 2018	403,791
Net book value:	
At 31 December 2018 and 31 December 2017	-

8. Trade and other receivables

	2018	*2017*
	£	*£*
Trade debtors	6,422,289	-
Contract assets	7,982,738	-
Amounts recoverable on contracts	-	13,771,003
Prepayments	23,777	22,633
Other debtors	-	28,184
Corporation tax receivables	15,046	-
	14,443,850	13,821,820

9. Creditors: amounts falling due within one year

	2018	*2017*
	£	*£*
Contract liabilities	93,965	-
Payments received on account	-	2,897,574
Trade creditors	94,261	1,149,433
Amounts owed to group undertakings	9,557,586	8,068,377
Accruals and deferred income	3,691,549	654,788
Other creditors	2,464	-
	13,439,825	12,770,172

Amounts owed to group undertakings includes short term loan finance of £9,462,646 (2017: £8,066,841) on which interest is charged at rates linked to bank LIBOR rates.

Notes to the financial statements (continued)

at 31 December 2018

10. Deferred taxation

There is no deferred taxation asset recognised in the accounts as at 31 December 2018 (2017: £nil) due to the uncertainty over the future profitability of the company. The total unrecognised deferred tax asset balance is comprised of:

	2018	*2017*
	£	*£*
Decelerated capital allowances	35,183	39,524
Deferred tax asset not recognised	35,183	39,524

11. Issued share capital

	2018	*2017*
Allotted, called up and fully paid	*£*	*£*
100,000 ordinary shares of £1 each	100,000	100,000

12. Other related party transactions

The company has taken advantage of the exemption under FRS101 not to disclose transactions with other wholly owned entities that are part of the Airbus Group SE.

13. Other financial commitments

The company had total rental payable under non-cancellable operating leases as set out below:

	2018	*2017*
	Other	*Other*
	£	*£*
Less than one year	181,148	181,148
In one to five years	513,253	694,401
Total	694,401	875,549

14. Ultimate parent undertaking and controlling party

The Company's ultimate parent company and controlling party is considered by the directors to be Airbus Group S.E. which is registered in The Netherlands. Airbus Group S.E. is the parent undertaking of the largest group of undertakings of which the Company is a subsidiary undertaking for which group financial statements are prepared. The parent undertaking of the smallest group of undertakings of which the Company is a subsidiary undertaking for which group financial statements are prepared is Airbus Defence and Space Ltd, a company registered in England. Copies of the financial statements of Airbus Group S.E.. are available from The Secretary, Airbus DS Holdings B.V., Le Carre Building, Beechavenue 130-132, 1119 PR Schipol-Rijk, The Netherlands. Copies of the financial statements of Airbus Defence and Space Ltd are available from Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2AS.