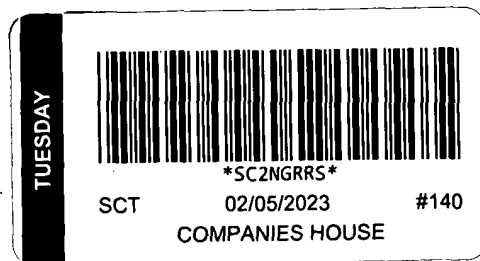


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Clyde Space Limited
Report and Financial Statements
For the year ended
31 December 2022

Company Number SC285287



Clyde Space Limited

Company Information

Directors	Ross M Lang Mats T Thideman Luis Gomes
Company secretary	Pinsent Masons Secretarial-Limited
Registered number	SC285287
Registered office	Skypark 5 45 Finnieston Street Glasgow G3 8JU
Independent auditors	PwC LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

Clyde Space Limited

Contents

	Pages
Directors' Report	1 - 3
Independent Auditors' Report	4 - 6
Statement of Comprehensive Income	7
Balance Sheet	8 - 9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 30

Clyde Space Limited

Directors' Report For the Year Ended 31 December 2022

The directors of Clyde Space Limited present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company during the year was that of research, development and manufacture of components, subsystems and full platforms for spacecraft.

Business review and future outlook

During 2022, we continued to deliver customer projects despite industrywide supply chain issues, rising costs, and continued staff shortages. As anticipated, and because of these issues, we saw a reduction of turnover in the year with increased losses. This was in line with our expectations whilst we also continued to design, build and deliver Space Data as a Service spacecraft alongside other significant development work.

Despite recent industry wide issues, we believe there are reasons to be optimistic looking ahead in 2023 and beyond. Interest in space services and space-based data, provided by small satellites, continues to grow as more industries see value and benefit. We are well positioned to take advantage of this demand across several sectors, ranging from shipping to agriculture. The order backlog, which has risen to £22.5m, and an optimistic sales pipeline give us confidence for the year ahead.

Together with our partners, we have agreed to progress into the final, demonstration phase of the xSPANCION project. This will begin with a phase focused on scaling constellation production capacity and delivering data services to users. We will also continue to operate the SeaHawk satellite for one more year, a contract that may be extended up to two years further, provided the spacecraft continues to deliver data. We've also secured an order from UK-based Space Forge to provide space products for a demonstration spacecraft designed to leverage the space environment for production and experiments. It will be capable of performing multiple trips to space.

Kelpie-1, a Clyde Space Limited EPIC nanosatellite, was built by the company during the year and was successfully launched on the SpaceX Transporter-6 mission on January 3, 2023. Kelpie-1 will deliver AIS data to US company ORBCOMM, a global provider of Internet of Things (IoT) solutions, under an exclusive Space Data as a Service (SDaaS) deal. It is planned to be followed by the launch of a second Kelpie satellite in the first half of 2023.

Sadly, a satellite manufactured by Clyde Space Limited for the Satellite Applications Catapult was lost when a Virgin Orbit rocket failed to reach orbit. All satellites on the launch have been lost. This loss had no financial impact on Clyde Space Limited.

We continue to work with our customers and partners – both new and existing – to realise the huge potential of small satellites for business and people on earth. We are ready and excited to keep building significant revenue growth in 2023, contributing to AAC Clyde Space group's goals and delivering value for all our shareholders.

Going concern

The directors, recognising the net current liabilities shown in the company's balance sheet at the year end, have assessed the company's future trading position, including forecast cashflows. The directors have received confirmation of continued financial support from the parent company for at least twelve months from the date of approval of these financial statements. The directors have no reason to believe that any material uncertainty exists that may cast doubt on the ability of the company to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Clyde Space Limited

Directors' Report For the Year Ended 31 December 2022

Directors

The directors who served during the year were:

Ross M Lang
Mats T Thideman
Luis Gomes

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 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. 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Clyde Space Limited

Directors' Report For the Year Ended 31 December 2022

Small company provisions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A and 414B of the Companies Act 2006.

This report was approved by the board on 28 April 2023 and signed on its behalf by



Ross M Lang
Director

Clyde Space Limited

Independent Auditors' Report to the Members of Clyde Space Limited

Report on the audit of the financial statements

Opinion

In our opinion, Clyde Space Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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

Clyde Space Limited

Independent Auditors' Report to the Members of Clyde Space Limited

otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK health and safety legislation, UK tax laws, and the Space Industry Bill and Space Industry Act 2008, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to misstatement of revenue recognised, in particular for the company's sale of bespoke products that are accounted for under long-term contract accounting (percentage of completion basis), or manipulation of results through journal entries. Audit procedures performed by the engagement team included:

Clyde Space Limited

Independent Auditors' Report to the Members of Clyde Space Limited

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims, litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and detect irregularities;
- Reviewing minutes of relevant meetings;
- Challenging management on assumptions and judgements made in their significant accounting estimates, in particular in respect of their calculations of project percentage of completion and costs to complete; and
- Identifying and testing journal entries to assess whether any of the journals appeared unusual.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 April 2023

Clyde Space Limited

Statement of Comprehensive Income For the Year Ended 31 December 2022

		Year ended 31 December 2022 £	Year ended 31 December 2021 £
Turnover	4	4,892,892	5,481,147
Cost of sales		(4,832,941)	(5,426,730)
Gross profit		59,951	54,417
Administrative expenses		(4,911,591)	(2,754,793)
Other operating income	5	1,309,205	790,880
Operating loss	6	(3,542,435)	(1,909,496)
Interest payable and similar expenses	10	(153,835)	(97,022)
Loss before taxation		(3,696,270)	(2,006,518)
Taxation on loss	11	966,863	865,345
Loss for the financial year		<u>(2,729,407)</u>	<u>(1,141,173)</u>
Total comprehensive expense for the year		<u>(2,729,407)</u>	<u>(1,141,173)</u>

The notes on pages 11 to 30 form part of these financial statements.

Clyde Space Limited
Registered number: SC285287

Balance Sheet
As at 31 December

	Note	31 December 2022 £	31 December 2021 £
Fixed assets			
Intangible assets	12	3,712,768	2,985,302
Tangible assets	13	2,277,007	1,167,092
		<u>5,989,775</u>	<u>4,152,394</u>
Current assets			
Stocks	15	814,490	725,490
Debtors: amounts falling due within one year	16	4,965,008	4,178,099
Cash at bank and in hand	17	875,474	853,531
		<u>6,654,972</u>	<u>5,757,120</u>
Creditors: amounts falling due within one year	18	(8,694,677)	(6,790,601)
Net current (liabilities)		<u>(2,039,705)</u>	<u>(1,033,481)</u>
Total assets less current liabilities		<u>3,950,070</u>	<u>3,118,913</u>
Creditors: amounts falling due after more than one year	19	(631,150)	(1,831,021)
Net assets		<u><u>3,318,920</u></u>	<u><u>1,287,892</u></u>

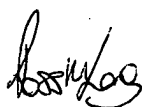
Clyde Space Limited
Registered number: SC285287

Balance Sheet (continued)
As at 31 December 2022

	Note	31 December 2022 £	31 December 2021 £
Capital and reserves			
Called up share capital	21	52,116	52,116
Share premium account	22	501,530	501,530
Profit and loss account	22	2,765,274	734,246
Total Equity		<u>3,318,920</u>	<u>1,287,892</u>

The financial statements have been prepared in accordance with FRS 102 and the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 7 to 30 were approved and authorised for issue by the board and were signed on its behalf on 28 April 2023.



Ross M Lang
Director

Clyde Space Limited

Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	52,116	501,530	1,806,326	2,359,972
Comprehensive expense for the year				
Loss for the financial year	-	-	(1,141,173)	(1,141,173)
Total comprehensive expense for the year	-	-	(1,141,173)	(1,141,173)
Capital contribution from Parent Company	-	-	69,093	69,093
At 31 December 2021	<u>52,116</u>	<u>501,530</u>	<u>734,246</u>	<u>1,287,892</u>
Comprehensive expense for the year				
Loss for the financial year	-	-	(2,729,407)	(2,729,407)
Total comprehensive expense for the year	-	-	(2,729,407)	(2,729,407)
Capital contribution from Parent Company	-	-	4,760,435	4,760,435
At 31 December 2022	<u>52,116</u>	<u>501,530</u>	<u>2,765,274</u>	<u>3,318,920</u>

The notes on pages 11 to 30 form part of these financial statements.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

1. General information

Clyde Space Limited is a private company limited by shares and incorporated in Scotland. The address of the company is given on the company information page and the nature of the company's operations, and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with the Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The Company has applied the disclosure provisions applicable to companies subject to the small companies' regime.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

2.3 Going concern

The directors, recognising the net current liabilities shown in the company's balance sheet at the year end, have assessed the company's future trading position, including forecast cashflows. The directors have received confirmation of continued financial support from the parent company for at least twelve months from the date of approval of these financial statements. The directors have no reason to believe that any material uncertainty exists that may cast doubt on the ability of the company to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.4 Revenue (continued)

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally developed intangible assets are held at cost and not amortised until ready for use.

Amortisation is provided on the following basis:

Software	- 33.33%	straight line
Technology development	- 25.00%	straight line
Website	- 25.00%	straight line

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 Tangible fixed assets

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

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

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Office Improvements	- 20.00%	straight line
Plant and machinery	- 25.00%	straight line
Fixtures and fittings	- 25.00%	straight line
Computer equipment	- 33.33%	straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.9 i. Financial assets (continued)

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.10 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.14 Current and deferred taxation

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

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

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

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

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

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.17 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Long term incentive plans

The group parent company operates a long-term share option incentive plan for all staff. Changes in the value of this group liability are treated as a capital contribution on the balance sheet of the employing entity based on the fair value of the scheme, taking into account the estimated number of options that will actually vest and the current proportion of the vesting period. A charge is recognised in the Statement of Comprehensive income.

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

In the application of the company's accounting policies, which are described in note 2, directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these judgements and estimates.

Critical judgements in applying accounting policies:

- Stock has been valued at the lower of cost or net realisable value. The level of stock provision is determined on the basis of wastage expected and assessment of the condition of stock at the year end.
- Trade and other debtors are assessed to establish whether a provision is required. Factors considered include customer payment history and agreed payment terms, and a financial assessment of the debtor's ability to pay its debts.

Key sources of estimation uncertainty:

- Revenue from contracts is assessed on an individual basis with revenue earned being ascertained based on the stage of completion of the contract which is estimated using the cost spend to date compared to the total cost expected to be required to undertake the contract. Estimates of the total cost required to undertake the contract are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

4. Turnover

The proportion of turnover that is attributable to markets outside the United Kingdom is 66% (2021 - 89%).

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

5. Other operating income

	Year to 31 December 2022 £	Year to 31 December 2021 £
Grant release	53,149	42,245
Bank interest	11,017	472
Group management recharges	1,236,174	748,163
Other income	8,865	-
	<u>1,309,205</u>	<u>790,880</u>

There are no material unfulfilled conditions or other contingencies attaching to grants that have been recognised as income.

6. Operating loss

The operating loss is stated after charging/(crediting):

	Year to 31 December 2022 £	Year to 31 December 2021 £
Depreciation of tangible fixed assets	121,931	122,820
(Profit) on financial instruments - foreign currency derivatives	-	(17,291)
Amortisation of intangible assets, including goodwill	60,922	31,710
Exchange differences	(28,250)	(48,162)
Other operating lease rentals	210,573	160,434
Management charges from parent company	585,448	462,407
Impairment of trade debtors	14,008	50,000
Amounts relating to long term incentive plan	32,220	69,093
Defined contribution pension cost	<u>215,612</u>	<u>196,320</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

7. Auditors' remuneration

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Fees payable to the Company's Auditors:		
Audit of these financial statements	50,000	35,400
Audit-related assurance services	4,000	4,000
	<u>54,000</u>	<u>39,400</u>

8. Employees

The average monthly number of employees, including directors, during the year was 88 (2021 - 86).

9. Directors' remuneration

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Directors' emoluments	234,740	222,181
Company contributions to defined contribution pension schemes	14,084	13,331
	<u>248,824</u>	<u>235,512</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

10. Interest payable and similar expenses

	Year to 31 December 2022 £	Year to 31 December 2021 £
Bank overdraft interest	9,836	6,084
Bank loan interest	14,717	15,563
Interest on loans from group undertakings	129,282	75,375
	<u>153,835</u>	<u>97,022</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Taxation on loss

	Year to 31 December 2022 £	Year to 31 December 2021 £
Corporation tax		
Current tax on loss for the year	(848,655)	(815,123)
Adjustments in respect of previous periods	(118,208)	(50,222)
	<u>(966,863)</u>	<u>(865,345)</u>
Total current tax	<u>(966,863)</u>	<u>(865,345)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>(966,863)</u>	<u>(865,345)</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

11. Taxation on loss (continued)

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	Year to 31 December 2022 £	Year to 31 December 2021 £
(Loss) before tax	<u>(3,696,270)</u>	<u>(2,006,518)</u>
(Loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(702,291)	(381,238)
Effects of:		
Expenses not deductible for tax purposes	6,270	23,064
Other fixed asset differences	(4,663)	(332)
Adjustments in respect of previous periods	(118,208)	(50,222)
Enhanced R&D tax credits	(1,455,285)	(688,331)
Surrender of tax losses for credit refund	1,073,268	249,396
Deferred tax not recognised	228,426	(8,052)
Other differences	5,620	(9,630)
Total tax credit for the year/period	<u>(966,863)</u>	<u>(865,345)</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

12. Intangible assets

	Website £	Computer software £	Developments £	Total £
Cost				
At 1 January 2022	23,695	239,041	2,899,832	3,162,568
Additions in year	-	-	1,310,608	1,310,608
Reclassification	-	-	(522,220)	(522,220)
At 31 December 2022	<u>23,695</u>	<u>239,041</u>	<u>3,688,220</u>	<u>3,950,956</u>
Accumulated Amortisation				
At 1 January 2021	13,823	142,156	21,287	177,266
Charge for the year	5,924	33,711	21,287	60,922
At 31 December 2021	<u>19,747</u>	<u>175,867</u>	<u>42,574</u>	<u>238,188</u>
Net book value				
At 31 December 2022	<u>3,948</u>	<u>63,174</u>	<u>3,645,646</u>	<u>3,712,768</u>
At 31 December 2021	<u>9,872</u>	<u>96,885</u>	<u>2,878,545</u>	<u>2,985,302</u>

These costs in relation to internally developed technologies are included here as they meet the criteria for recognition and are expected to generate future revenues in subsequent years.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

13. Tangible assets

	Office Improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2022	150,204	1,818,338	99,572	93,505	2,161,619
Additions	-	705,955	487	3,184	709,626
Reclassification	-	522,220	-	-	522,220
At 31 December 2022	<u>150,204</u>	<u>3,046,513</u>	<u>100,059</u>	<u>96,689</u>	<u>3,393,465</u>
Accumulated Depreciation					
At 1 January 2022	146,580	667,010	94,965	85,972	994,527
Charge for the year on owned assets	925	114,436	2,331	4,239	121,931
At 31 December 2022	<u>147,505</u>	<u>781,446</u>	<u>97,296</u>	<u>90,211</u>	<u>1,116,458</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

	Office Improvements- long leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
13. Tangible assets (continued)					
Net book value					
At 31 December 2022	<u>2,699</u>	<u>2,265,067</u>	<u>2,763</u>	<u>6,478</u>	<u>2,277,007</u>
At 31 December 2021	<u>3,624</u>	<u>1,151,328</u>	<u>4,607</u>	<u>7,533</u>	<u>1,167,092</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2022	890
Disposals	-
At 31 December 2022	<u>890</u>
Accumulated impairment	
At 1 January 2022	890
Disposals	-
At 31 December 2022	<u>890</u>

Investments in subsidiary companies are held at cost less accumulated impairment.

On 25 August 2021, the process of dissolving the subsidiary was initiated. The process has not yet completed, but the carrying value of the asset is already fully impaired on the basis that no future economic benefit will flow to the company from its investment.

Subsidiary undertakings – as at 31 December 2022

The following was a subsidiary undertaking of the Company as at 31 December 2022:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Clyde Space Inc.	USA	Ordinary	100%	Dormant

The registered office of Clyde Space Inc. was in Delaware, United States. As at 31 December 2022, the Company was exempt under section 402 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the directors considered that the Company's subsidiary may be excluded from consolidation on the basis that it was dormant and not deemed material for the purposes of giving a true and fair view. The financial statements as at 31 December 2022 therefore present information about the Company as an individual undertaking and not a group.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

15. Stocks

	Year to 31 December 2022 £	Year to 31 December 2021 £
Raw materials and consumables	476,633	412,367
Work in progress	283,732	268,844
Finished goods	54,125	44,279
	814,490	725,490

16. Debtors: amounts falling due within one year

	Year to 31 December 2022 £	Year to 31 December 2021 £
Trade debtors	2,472,123	1,606,920
Other debtors	248,240	268,384
Amounts recoverable on long term contracts	1,189,726	1,364,441
Corporation tax recoverable	960,538	865,345
Prepayments and accrued income	94,381	73,009
	4,965,008	4,178,099

Other debtors include £241,854 (2021 - £226,507) in relation to grants receivable. There are no unfulfilled conditions or other contingencies attaching to grants that have been recognised as income.

17. Cash at bank and in hand

	Year to 31 December 2022 £	Year to 31 December 2021 £
Cash at bank and in hand	875,474	853,531

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

18. Creditors: Amounts falling due within one year

	Year to 31 December 2022 £	Year to 31 December 2021 £
Bank overdraft	707,702	-
Trade creditors	2,893,317	1,684,584
Other taxation and social security	498,829	161,834
Accruals and deferred income	4,594,829	4,944,183
	<u>8,694,677</u>	<u>6,790,601</u>

Included within accruals and deferred income are payments received on account totalling £3,773,443 (2021 - £4,191,331).

19. Creditors: Amounts falling due after more than one year

	Year to 31 December 2022 £	Year to 31 December 2021 £
Amounts owed to parent company	631,150	1,831,021
	<u>631,150</u>	<u>1,831,021</u>

Amounts owed to parent company are not repayable until 6 April 2025. Interest is charged at a fixed rate of 6% per annum on outstanding balances.

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

20. Deferred tax

The available unused tax losses at 31 December 2022 is £2,181,424 (31 December 2021: £959,811). There was no deferred tax recognised at the end of the year.

21. Called up share capital

	31 December 2022 £	31 December 2021 £
Allotted, called up and fully paid		
4,107,411 (2021: 4,107,411) Ordinary shares of £0.01 each	41,074	41,074
1,000,000 (2021: 1,000,000) Preferred ordinary shares of £0.01 each	10,000	10,000
104,233 (2021: 104,233) B Ordinary shares of £0.01 each	1,042	1,042
	<u>52,116</u>	<u>52,116</u>

22. Reserves

Share premium account

The share premium reserve comprises of amount arising on the issue of ordinary share capital of the company.

Profit and loss account

The profit and loss account reserve comprise, the cumulative profit and loss trading results, capital contributions from shareholders less any dividends distributed to shareholders.

23. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge amounted to £215,612 (2021 - £196,320). Contributions amounting to £29,843 (2021 - £27,123) were payable to the fund at the balance sheet date and are included in creditors.

24. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2022 £	31 December 2021 £
<u>Payment Due</u>		
Not later than 1 year	129,136	140,125
Later than 1 year and not later than 5 years	85,555	211,690
	<u>214,691</u>	<u>351,815</u>

Clyde Space Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

25. Related party transactions

All purchases from related parties are in the normal course of business and are carried out on an arms-length basis.

The parent company, AAC Clyde Space AB advanced £2,107,237 (2021 - £1,831,021) to Clyde Space Limited during the year. Interest charged by the parent company during the year amounted to £114,502 (2021 - £75,375).

During the year, the parent company made a capital contribution of £4,760,435 (2021 - £69,093) to equity.

Turnover totalling £89,888 (2021 - £266,634) was recognised in relation to goods and services sold to AAC Clyde Space AB. Goods and services totalling £1,316,007 (2021 - £261,768) were provided by AAC Clyde Space AB. A management charge totalling £1,067,463 (2021 - £285,756) was issued by AAC Clyde Space AB covering the year to 31 December 2022. In addition, a management charge totalling £1,236,174 (2021 - £748,163) was issued by Clyde Space Ltd to AAC Clyde Space AB. At the balance sheet date, the company owed AAC Clyde Space AB £1,271,739 (2021 - £569,482).

AAC Space Africa (PTY) Ltd, is a wholly owned subsidiary of AAC Clyde Space AB. During the year, Clyde Space Limited purchased good and services totalling £206,872 (2021 - £42,427). At the balance sheet date, the company owed AAC Space Africa (PTY) Ltd £31,544 (2021 - £3,621).

Hyperion Technologies B.V. is a wholly owned subsidiary of AAC Clyde Space AB. During the year, Clyde Space Limited purchased good and services totalling £171,587 (2021 - £137,931). In addition, turnover totalling £45,838 (2021 - £nil) was recognised in relation to goods and services sold to Hyperion Technologies B.V. At the balance sheet date, the company owed Hyperion Technologies B.V. £21,319 (2021 - £3,621).

SpaceQuest Ltd is a wholly owned subsidiary of AAC Clyde Space AB. During the year, Clyde Space Limited purchased services totalling £nil (2021 - £3,820) and sold goods totalling £17,444 (2021 - £69,601). At the balance sheet date, the company was owed £9,014 (2021 - £nil) by SpaceQuest Ltd.

During January 2016 Clyde Space Inc. was incorporated in Delaware, USA. As described in note 14, the process to dissolve the company commenced in 2021 but was not yet concluded by 31 December 2022.

26. Controlling party

The company is a direct subsidiary of the ultimate parent company, AAC Clyde Space AB, which is registered in Sweden (number 556677-0599) with registered offices in Uppsala Science Park, Sweden. AAC Clyde Space AB consolidated financial statements are available on the parent company website. <https://investor.aac-clyde.space/en>

These financial statements contain information about Clyde Space Limited as an individual company and do not contain consolidated financial information.