

Prismatic Ltd

Annual Report and Financial Statements

31 December 2021

Registered Number: 07753934



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Directors' Report

Company registration

Prismatic Ltd (the "Company") is a private company, limited by shares and registered in England and Wales with the registered number 07753934.

Results and dividend

The Company's profit for the financial year is £524k (2020:£133k).

The directors have not proposed a final ordinary dividend in respect of the current financial year (2020:£nil).

Business review and principal activities

During the year the Prismatic team focus returned to completing the avionic software on the two P35 aircraft and preparation for a stratospheric flight trial in the US. The Prismatic team capability was strengthened by BAE personnel and the senior leadership team led by Dave Corfield CEO were charged with full responsibility on the HALE investment from September 2021. The stratospheric flight trial was unsuccessful due to adverse and unusual weather conditions at the range in June to August and this resulted in a flight trial being rescheduled in 2022. In addition, in 2021 commitments were placed in the supply chain to enable 2 further aircraft builds in 2022 alongside enhancement on flight control software.

The business performance improved on the previous year as development and flight trial activities resumed post Covid and the business recruited additional headcount to complete those activities contained in the development contract from BAE.

On the 14 December 2021 BAE completed the final share purchase and holds 100% of the issued share capital

Financial Risk

The business is pre-external revenue and receives funding on agreed contracts under the framework agreement with BAE Operations Ltd to enable development work to be undertaken on the P35 programme. The revenue earned in year was £7,349k. The business is compliant with the BAE finance policy regarding exchange rate risk and accounting policies.

Going concern

After making extensive enquiries, including reviewing an extended cash flow forecast to July 2026 and being aware that the BAE Air Division IBP includes within it funding of Prismatic Ltd the directors have a reasonable expectation that the Company has adequate resources to continue operational existence for at least 12 months from the date of approval of the financial statements.

The Prismatic Ltd cash flow forecast includes the payment in full on the 2022 BAE contract with BAE Operations Ltd, receipts from HMRC on BAE approved RDEC submissions now due on 2020 and 2021 from HMRC, payment on all existing 2022 committed costs and payments on all commitments on bought out materials to meet the 2022 statement of work in the agreed BAE Operations contract.

On the basis of the above the directors continue to adopt the going concern basis in preparing these financial statements.

Small company exemption

Pursuant to section 414(B) of the Companies Act 2006, the company has taken advantage of the exemption from presenting a Strategic Report.

Directors and their interests

The directors who served throughout the year and up to the date of this Report were as follows:

P Brooks (resigned 31 August 2021)

J D Dixon (resigned 31 August 2021)

M V O'Connor

I L Muldowney

G Foster

C D Lloyd

J H Sutcliffe (resigned 1 January 2021)

D A Corfield (appointed 1 January 2021)

The Board is not aware of any contract of significance in relation to the Company in which any director has, or has had, a material interest.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

The auditor, Deloitte LLP, has indicated its willingness to continue in office and, in accordance with Section 487(2) of the Companies Act 2006, has been re-appointed.

Approved by the Board and signed on its behalf by:

 Digitally signed by
Ian Muldowney
Date: 2022.07.05
14:00:26 +01'00'

I L Muldowney
Director

5 July 2022

Registered office:
2 Omega Park
Alton
England GU34 2QE

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework"

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Prismatic Limited

Opinion

In our opinion the financial statements of Prismatic Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement and Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

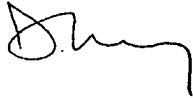
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.



Douglas King FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK

5 JULY 2022

Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	2021	2020
		£'000	£'000
Revenue	2	7,349	4,392
Other income		468	358
Operating costs	3	(7,117)	(4,545)
Operating profit		700	205
Financial income	4	1	-
Financial expense	5	(39)	(28)
Profit before tax		662	177
Tax	7	(138)	(44)
Profit for the year		524	133
Other comprehensive income		-	-
Total comprehensive profit for the year		524	133

The notes on pages 11 to 20 form part of the financial statements.

The results for 2021 and 2020 arise from continuing activities.

Balance Sheet
as at 31 December 2021

	Notes	2021	2020
		£'000	£'000
Non-current assets			
Property, plant and equipment	8	335	231
Right-of-use assets	12	984	1,200
		1,319	1,431
Current assets			
Inventories	10	907	-
Trade, other and contract receivables	11	671	271
Current tax	11	780	655
Cash and cash equivalents		2,716	956
		5,074	1,882
Total assets		6,393	3,313
Non-current liabilities			
Lease liabilities	13	(812)	(1,029)
Deferred tax asset	9	13	(9)
		(799)	(1,038)
Current liabilities			
Trade and other payables	12	(2,949)	(317)
Current tax		(160)	-
Lease liabilities	13	(223)	(220)
Total liabilities		(4,131)	(1,575)
Net assets		2,262	1,738
Capital and reserves			
Issued share capital	14	-	-
Other reserves	14	4	4
Retained earnings		2,258	1,734
Total equity		2,262	1,738

Approved by the Board on 5 July 2022 and signed on its behalf by:


 Digitally signed
 by Ian
 Muldowney
 Date: 2022.07.05
 14:00:48 +01'00'

I L Muldowney
Director

Registered number: 07753934

The notes on pages 11 to 20 form part of these financial statements

Statement of Changes in Equity
for the 12 months ended 31 December 2021

	Issued Share Capital £'000	Other Reserves £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2020	-	4	1,601	1,605
Profit for the year	-	-	133	133
At 31 December 2020	-	4	1,734	1,738
Balance at 1 January 2021	-	4	1,734	1,738
Profit for the year	-	-	524	524
At 31 December 2021	-	4	2,258	2,262

Notes to the Financial Statements

1 Accounting policies

Prismatic Limited (the Company) is a private company, limited by shares, and registered in England and Wales and incorporated in the United Kingdom. Its ultimate controlling party is BAE Systems plc. The address of the Company's registered office is shown on page 3. The principal activity of the Company is set out in the Directors' Report on page 2.

These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless otherwise stated, rounded to the nearest thousand.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework. The Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of International Accounting Standard (IAS) 1 Presentation of Financial Statements, to present comparative information in respect of: paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- 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
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of relevant financial assets and financial liabilities (including derivative instruments). These financial statements have been prepared using the going concern basis

The following paragraphs summarise the main accounting policies of the Company and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Critical accounting policies

There were no significant accounting policies that are considered by the directors to be critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements

Judgements made in applying accounting policies

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimates, that have had a significant effect on the amounts recognised in the financial statements.

Sources of estimation uncertainty

The application of the Company's accounting policies requires the use of estimates. In the event that these estimates prove to be incorrect, there may be an adjustment to the carrying amounts of assets and liabilities within the next financial year.

There are none recognised in the financial statements.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's financial performance and position.

Revenue and profit recognition

Under IFRS 15, revenue represents income derived from contracts for the provision of services by the Company to customers in exchange for consideration in the ordinary course of the Company's activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct service or a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Services that are distinct are accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the customer, excluding sales taxes. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as services are delivered to the customer. For each performance obligation within a contract, the Company determines whether it is satisfied over time or at a point in time. The Company has determined that most of its contracts satisfy the over-time criteria because the customer simultaneously receives and consumes the benefits provided by the Company's performance as it is performed (typical with services or support contracts).

The Company recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs. Revenue and associated margin are therefore recognised progressively as costs are incurred. The Company has determined that this method faithfully depicts the Company's performance in delivering services to the customer.

Leases

The Company as lessee

All leases in which the Company is lessee (except as noted below) are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between repayment of the lease liability and finance cost. The finance cost is charged to the Income Statement over the lease term to produce a constant periodic rate of interest on the lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Company's incremental borrowing rate is used, which is the interest rate the Company would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs.

Payments in respect of short-term leases, low-value leases and leases of intangible assets are charged to the Income Statement on a straight-line basis over the lease term.

Interest income and borrowing costs

Interest income and borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Dividends

Equity dividends un-paid on ordinary share capital are recognised as a liability in the period in which they are declared.

Property, plant and equipment

Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided, normally on a straight-line basis, to write off the cost of plant and equipment over their estimated useful lives to any estimated residual value, using the following rates:

Fixtures and fittings and leasehold building improvements (including computing and other equipment)	– 3 to 5 years
Plant & machinery	– 5 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Impairment

The carrying amounts of the Company's property, plant and equipment are reviewed at each Balance Sheet date to determine whether there is any indication of impairment.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the Balance Sheet date. These exchange differences are recognised in the Income Statement.

Inventories

Inventories are stated at the lower of cost including all relevant overhead expenditure, and net realisable value

Trade, other and contract receivables

Trade and other receivables are stated at amortised cost including a provision for expected credit losses. The Company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

The Company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery, for example, when a debtor enters bankruptcy or financial reorganisation.

Contract receivables represent amounts for which the Company has an unconditional right to consideration in respect of unbilled revenue recognised at the Balance Sheet date and comprise costs incurred plus attributable margin.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, call and term deposits, and other short-term liquid investments with original maturities of three months or less and which are subject to an insignificant risk of change in value.

Trade and other payables

Trade and other payables are stated at their cost.

Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- related to investments in subsidiaries and equity accounted investments to the extent that it is probable that they will not reverse in the foreseeable future; and
- arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to corporate income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Retirement benefit obligations

Defined contribution pension schemes

A defined contribution pension scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate legal entity and which will have no legal or constructive obligation to pay further amounts.

Obligations for contributions are recognised as an expense in the Income Statement as incurred.

2 Revenue

Revenue by location

	2021	2020
	£'000	£'000
United Kingdom	7,138	4,392
Africa, Central and North America	211	-
	7,349	4,392

Revenue by category

	2021	2020
	£'000	£'000
Military and technical services	7,349	4,392
	7,349	4,392

3 Operating costs

	2021	2020
	£'000	£'000
Raw materials, subcontracts and other bought-in items	3,177	1,310
Staff costs (note 6)	2,542	2,101
Depreciation, amortisation and impairment	456	455
Other operating charges	942	679
Operating costs	7,117	4,545
Included within the above analysis are the following expenses:		
Lease expense	224	220

The remuneration of the auditor for the year ended 31 December 2021 for auditing of the financial statements was £18,200 (2020:£20,000) and £nil (2020:£nil) for non-audit work. These fees were borne by fellow group company, BAE Systems (Operations) Limited and not recharged.

Notes to the Financial Statements (continued)

Notes to the Financial Statements (continued)

4 Financial income

	2021	2020
	£'000	£'000
Interest receivable	1	-
Financial income	1	-

5 Financial expense

	2021	2020
	£'000	£'000
Interest expense on lease liabilities (see note 12)	39	28
Financial expense	39	28

6 Employees

The average number of Company employees excluding directors was as follows:

	2021	2020
Local employees	41	32

The aggregate staff costs of Company employees were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	2,150	1,763
Social security costs	253	201
Other pension costs	139	137
	2,542	2,101

The disclosures below represent an allocation of the emoluments received by the 3 Directors in 2021 and 2020 to reflect their qualifying services to the Company.

	2021	2020
	£'000	£'000
Directors' remuneration	280	249
Company contributions to defined benefit pension schemes	13	18
	293	267

Post-employment benefits are accruing to the following number of Directors under:

	2021	2020
	Number of Directors	Number of Directors
Defined benefit schemes	2	2

Notes to the Financial Statements (continued)

Amounts paid in respect of the highest paid Director were as follows:

	2021	2020
	£'000	£'000
Remuneration and amounts receivable under long-term incentive schemes	107	90
Company contributions to defined contribution pension schemes	-	9

During the year, the amount of money paid to or receivable by Directors under long-term incentive schemes in respect of qualifying services was £Nil (2020 £nil)

7 Tax

	2021	2020
	£'000	£'000
Current tax		
Current tax charge / (credit)	160	67
Adjustment in respect of prior years	-	23
	160	90
Deferred tax		
Current year	(18)	(23)
Adjustment in respect of prior years	-	(29)
Tax Rate adjustment	(4)	6
	(22)	(46)
Tax result	138	44

Notes to the Financial Statements (continued)

7 Tax (continued)

Reconciliation of tax result

The following reconciles the expected tax result, using the UK corporation tax rate, to the reported tax result:

	2021	2020
	£'000	£'000
Profit before tax	662	177
UK corporation tax rate	19%	19%
Expected tax expense on profit	126	34
Property Plant & equipment	13	10
Expenses not tax effected	7	-
Adjustments in respect of prior years	-	(6)
Tax Rate adjustment	(4)	6
Tax result	138	44

In 2021, the Government announced that the UK corporation tax rate would increase to 25% with effect from 1 April 2023. The tax rate applying to the deferred tax asset is 25% (2020 19%) on the basis that any deferred tax assets or liabilities released or settled are likely to reverse after April 2023.

8 Property, plant and equipment

	Fixtures and fittings £'000	Plant and Machinery £'000	Total £'000
Cost or valuation			
At 1 January 2021	179	417	596
Additions	-	344	344
At 31 December 2021	179	761	940
Depreciation and impairment			
At 1 January 2021	144	221	365
Depreciation charge for the year	35	205	240
At 31 December 2021	179	426	605
At 31 December 2021	-	335	335
At 31 December 2020	35	196	231

Notes to the Financial Statements (continued)

9 Deferred tax

	2021	2020
	£'000	£'000
At 1 January	(9)	55
Charged to the Income Statement	22	(46)
At 31 December	13	(9)

The deferred tax asset is made up as follows:

	2021	2020
	£'000	£'000
Property, plant and equipment	5	(17)
Accruals	8	8
	13	(9)

10 Inventories

	2021	2020
	£'000	£'000
Raw Materials	907	-
	907	-

11 Trade, other and contract receivables

	2021	2020
	£'000	£'000
Current		
Amounts owed by BAE Systems plc and its subsidiaries	360	40
Amounts owed by Customers	211	-
Prepayments	30	141
Other receivables	70	90
	671	271

Amounts owed by BAE Systems plc and its subsidiaries are payable on demand. No interest is applied to amounts owed.

Current Tax of £780k are amounts due from HMRC from Research and Development Expenditure claims for 2020 and 2021

12 Trade and other payables

	2021	2020
	£'000	£'000
Current		
Amounts owed to BAE Systems plc subsidiaries	360	-
Contract liabilities	1,086	-
Accruals and provisions	1,101	134
Other taxes and Social Security	402	183
	2,949	317

Amounts owed to BAE Systems plc and its subsidiaries are payable on demand. No interest is applied to amounts owed.

Notes to the Financial Statements (continued)

13 Leases

The Company leases its building under non-cancellable lease arrangements. The lease was signed on the 31 July 2018 for an 8-year term with a lease break clause on the 31 August 2021. The lease break notice date in January 2021 was not served as agreed at the Board and the lease will now run until the 31 July 2026.

Right-of-use-assets

	2021 Land and buildings £'000	2020 Land and buildings £'000
Net book value at start of year	1200	328
Additions during the year	0	1,087
Depreciation expense for the year	(216)	(215)
Net book value	984	1,200

Lease liabilities

A maturity analysis of the future undiscounted lease payments in respect of the Company's lease liabilities is presented in the table below.

	2021 £'000	2021 £'000
Payments due:		
Within one year	223	220
Between one and five years	812	1,029
Later than five years	-	-
	1,035	1,249

The total cash outflow for leases in the 12 months to 31 December 2021 amounted to £268k (12 months to 31 December 2020 £264k).

Amounts recognised in the Income Statement

	2021 £'000	2020 £'000
Included in operating costs:		
Depreciation on right-of-use assets	(216)	(215)
	(286)	(215)
Included in net finance costs:		
Interest expense on lease liabilities	(39)	(28)
	(39)	(28)

Notes to the Financial Statements (continued)

14 Share capital and other reserves

Share capital	Share Premium £'000	£0.01 A Ordinary shares No	£0.01 B Ordinary shares No	Nominal value
Issued and fully paid				
At 1 January 2021 and 31 December 2021		8,354	8,696	£171

15 Contingent liabilities

The Company has no contingent liabilities.

16 Controlling parties

The immediate parent company is BAE Systems (Holdings) Limited and the ultimate parent company and controlling party is BAE Systems plc, which is both the smallest and largest parent company preparing group financial statements. Both companies are incorporated in the United Kingdom and registered in England and Wales.

The consolidated financial statements of BAE Systems plc are available to the public and may be obtained from its registered address:

6 Carlton Gardens
London
SW1Y 5AD

Website: www.baesystems.com