

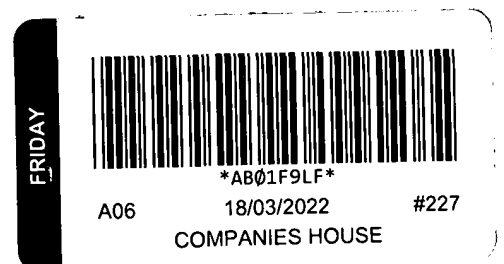
Inzpire Limited

Annual Report and Financial Statements

Year Ended

31 March 2021

Company Number 05456427



Inzpire Limited

Company Information

Directors	H M Griffiths J A Wood A Whittle J Priest R I Havercroft A M Shaw P Osborn S J Gilbert (appointed 21 July 2021)
Company secretary	J A Wood
Registered number	05456427
Registered office	Landmark House West Unit 1B, Alpha Court Kingsley Road Lincoln Lincolnshire LN6 3TA
Independent auditor	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD

Inzpire Limited

Contents

	Page
Strategic report	1 - 6
Directors' report	7 - 6
Directors' responsibilities statement	9
Independent auditor's report	10 - 13
Statement of comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16 - 17
Notes to the financial statements	18 - 41

Inzpire Limited

Strategic report For the year ended 31 March 2021

Review of Inzpire's activities and performance

Inzpire had a strong financial performance in the year ended 31 March 2021, which was largely unaffected by the pandemic in the year. Revenue was 23% up on the previous year and Operating Profit grew 100%. The company also secured its largest ever contract, for £21m, relating to the Typhoon Mission Support Centre.

On 1 December 2020, QinetiQ Group plc acquired the remaining shares for Inzpire, making the company a wholly owned, operationally independent, subsidiary. As a result of the combination with QinetiQ, Inzpire has benefited from increased access to national and international routes to market, such as via QinetiQ's Joint Ventures in the Middle East, Far East, Australia and North America.

Inzpire has two core business areas, Managed Services and Mission Systems. Managed Services delivers specialist managed services primarily to UK military and defence customers, and Mission Systems develops and delivers software applications for the UK and overseas military customers.

Managed Services Division

The Managed Service Division's revenue grew 20% during the year, to £17.2m.

The business area includes:

- Helicopter Training (e.g provision of Apache and Wildcat qualified flying instructors)
- Synthetic Training (e.g design and delivery of training scenarios that incorporate live assets with virtual and constructive synthetic participants)
- Unmanned (e.g the provision of UAS experts)
- Integrated Sensors and Systems (e.g supporting the delivery of Typhoon capability)
- Human Factors and Safety Training
- Intelligence Training (e.g provision of training design analysts to design and write training courses for the joint intelligence community)

During the year, the following key contracts were renewed:

- Typhoon Mission Support Centre & Requirements Managers
- Air Warfare Centre, 92 Squadron
- Joint Intelligence Training Group, Chicksands
- European Defence Agency

Mission Systems Division

The Mission Systems Division grew 36% during the year, to £4.5m.

The key product areas are below:

- GECO (Air) – avionics, mission and training applications – utilised standalone or integration into the aircraft.
- GECO (MSS) – Mission Support System developed during the course of the year to support Air, Land and Maritime customers.
- GECO World – a partnered approach to developing solutions for military customers.

The products have benefited from further development and enhancement of their capabilities during the year.

During the year the following key contracts were secured / renewed:

- GROB Ecuador
- Thales
- Uplifts and additions to the PUMA contract

Inzpire Limited

Strategic report (continued)
For the year ended 31 March 2021

Review of Inzpire's activities and performance (continued)

Research and Development

Inzpire has continued to invest in research and development. The main area of investment was within Mission Systems where additional capability was added to the GECO suite of products. Expenditure in relation to research and development totalled just under 13% of the Mission Systems revenue.

Inzpire has continued investment in three capital investment projects during the year to 31 March 2022. The projects include two 'Targeted Fidelity' helicopter flight simulators for the supply to one of our customers in the Helicopter training division and the build of new Business Continuity and Disaster Recovery ('BCDR') servers. The two Targeted Fidelity helicopter simulators are complete and the BCDR project is expected to complete before 31 March 2022.

Principal risks and uncertainties facing Inzpire

COVID-19

At the beginning of the pandemic in March 2021, Inzpire completed a detailed review of the risks posed by the COVID-19 and implemented measures to safeguard our staff while still delivering on our contracts safely. The company continued to deliver on contracts and was not significantly affected during the year by the pandemic, mainly due to the criticality of these services to our customer. We do not foresee a significant impact to our financial performance during the year to 31 March 2022 and beyond. The evolving situation with COVID is regularly reviewed by the senior management team.

Reliance on UK MOD

A significant amount of Inzpire's revenue is ultimately generated directly from the UK MoD (£11.9m) and indirectly from our contracts with our parent company, QinetiQ. The reliance on the UK MoD is a risk that the Board closely monitors and has reduced compared to previous years. Whilst the reliance is significant, Inzpire's revenue is generated from a number of different areas within the UK Military which to a degree mitigates this risk. During the year Inzpire has generated revenue from working with other commercial organisations, as well as QinetiQ, and secured further contracts with overseas customers, further reducing our dependence on the UK MoD.

Foreign currency exchange rates

The risk of exposure to the movement of foreign exchange rates is mitigated to a large extent by our policy of hedging all foreign currency transactions greater than £0.1m. Hedging contracts are managed by the Treasury team in QinetiQ Ltd.

Inzpire Limited

Strategic report (continued)
For the year ended 31 March 2021

Corporate Responsibility and Sustainability, Environment, Social and Governance

Environment

The company has developed a Carbon Reduction Plan ('CRP') which sets out the route to reduce our carbon footprint to net zero by 2040. We have also created an Environmental, Social and Governance ('ESG') Forum which meets regularly to shape the company's approach to these key issues.

The company actively encourages employee engagement in environmental issues. In 2020, the company launched a Go Green Car Scheme, a tax efficient way to lease an Electric Vehicle ('EV'). The scheme is very successful, with more than 10% of our staff opting for an EV through the scheme in its first year of operation. We estimate that in the first year, our staff used these EV's to drive 120,000 business and personal 'green' miles. Electric charging points have also been installed at the company's head office in Lincoln, powered by environmentally sourced 'green' energy and free to use by our staff and visiting customers. In addition to the Go Green Car Scheme, there is a car sharing scheme and also a Cycle to Work scheme in place.

Health, Safety and Wellbeing of employees

The health, safety and wellbeing of our people is our priority. In response to the COVID pandemic, the company formed a 'COVID Tiger Team' that meets regularly to ensure that the company is compliant with the latest government guidelines to help protect our staff. Where possible, during the lockdowns staff were instructed to work from home or, if based at customer sites, comply with the customer's COVID rules.

The company also published its first Wellbeing Strategy for staff and we have recently formed a Health Environment Wellbeing and Safety ('HEWS') Committee which is building the foundations for an employee led group.

Fostering relationships with partners, suppliers, customers and others

Our customers are at the centre of our vision and foundation of our success. The company continued to work closely with customers to enable the delivery of the capabilities of defence and security. As a matter of routine, the company carries out contract performance reviews, and collects and collates customer feedback forms to enable us to ensure the customer relationship is managed effectively.

Community & Society

The company engages in community support, such as volunteer work and providing talks at schools and universities. The company makes annual donations to several core charities and actively supports fundraising events. The company has several military Reservists, and we ensure that they are given the time and resources to undertake their reserve roles effectively.

Inzpire Limited

Strategic report (continued) For the year ended 31 March 2021

Section 172 Statement

The directors welcome their responsibilities to promote the success of the Company in accordance with Section 172 of the 2006 Companies Act.

The Board of Inzpire Limited confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of the shareholders and ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standard of conduct. Similarly, the Directors acknowledge that the business can only grow and prosper over the long term if they understand and respect the views and needs of the Company's investors, customers, employees, suppliers and other stakeholders to whom the Company is accountable, as well as the environment the Company operates within.

Inzpire Limited is part of the QinetiQ Group, and remains operationally independent. The operational decision making is delegated to the Directors of Inzpire Limited.

There is a delegation matrix in place to assist with the overall decision making within the company, and this ensures that:

- Decisions put before the Directors are within approved budgets and previously approved management / project plans, and operate in conjunction with our Operating Framework processes;
- Managers are able to delegate authority provided to them, however they remain responsible for any resulting approval of decisions and are therefore not able to delegate accountability or responsibility; and
- Authorising managers must obtain and follow appropriate professional advice (eg, technical, commercial, procurement, HR, legal, financial, treasure and trade controls).

A summary of our primary stakeholders and Inzpire's engagement with them is as follows:

Customers

Our customers are key to our vision and the foundation of our success. We strive to apply our strengths to their advantage to deliver mission-led innovation, and invest time in understanding and responding to their needs. Inzpire frequently goes the extra mile to support customers. Inzpire is proud of the fact we have over 5,000 years of military experience in the company, supported by very high calibre staff in our supporting functions. This allows us to respond flexibly and provide the highest quality support to our customers.

An example of working innovatively and flexibly with our customers to achieve the best outcome was the Board's decision in the year to invest in the development of two helicopter flight simulators for a key contract. The two simulators were then used to deliver helicopter tactics training contract by Inzpire staff. This 'forward leaning' approach was the most efficacious for the customer and further strengthened our ongoing relationship with them.

Employees

Inzpire is a people business and our employees are critical to our success. Employee health, safety and wellbeing is paramount, and as such the Board immediately took appropriate measures to protect staff from the COVID pandemic and successfully navigated the COVID lockdowns, and a Board decision was taken just prior to the first UK lockdown to instruct staff to work from home where possible. The transition to home working was very smooth, and greatly assisted by robust IT systems and a highly skilled IT team. The company did not use any government funding such as furlough schemes. No member of staff lost their employment or were placed on furlough as a result of COVID measures. The company continually improves the working environment for staff, and as mentioned above, this included publishing the first Wellbeing Strategy for staff and the introduction of a Go Green Car scheme, allowing employees to lease electric vehicles via a tax efficient salary sacrifice scheme.

Inzpire Limited

Strategic report (continued)
For the year ended 31 March 2021

Section 172 Statement (continued)

Employees (continued)

In terms of employee engagement, the CEO holds regular briefing updates, using Microsoft Teams, which the entire company is invited to join. Members of the Board are present too. This is an opportunity for the CEO to brief staff informally on all matters relating to the company and its progress, and for the Board members to answer any questions that the staff might have.

The Board took the decision to invest in additional office space in Lincoln, expanding its head office. This was to ensure that there is adequate office space for the growing company, and that staff have a bright, modern, clean and energy efficient office space in which to work. The expansion also increases our capacity to deliver training using specially equipped training rooms.

The effectiveness of Inzpire's employee engagement is perhaps best reflected in the 'Best Companies to Work For' awards, which Inzpire has been awarded for eight consecutive years. These national awards recognise the top 100 companies in the UK that show commitment to employees and demonstrate workplace engagement as being a vital part of the company's success. In 2021, Inzpire was ranked 5th in the Top 100 Best Large Companies to Work For category.

Shareholders

Inzpire Limited is now 100% owned by QinetiQ Group. Inzpire remains operationally independent and operational decision making is delegated to the Directors of Inzpire Limited. Through the business combination, Inzpire is able to benefit from greater access to international markets through QinetiQ as well as framework agreements. Where appropriate, on certain contracts Inzpire might join with its parent company to deliver contracts and on others, Inzpire will deliver contracts independently. This flexibility provides the best solution for the customers and the wider QinetiQ Group.

Other key stakeholders include:

Suppliers

We occupy a unique position in defence, working in partnership with various suppliers to deliver the best solutions for our customers. We strive to adopt a collaborative approach and ensure we treat our suppliers with integrity, taking a fair and sustainable approach. We also ensure that our suppliers are paid promptly, and within the agreed terms.

Communities

We strive to be a good neighbour, having a positive impact on our local communities and wider society; from our STEM activities, inspiring the next generation of scientists and engineers, to supporting local Universities and Colleges. Inzpire also supports various charities, several of whom work with disadvantaged young people.

Inzpire Limited

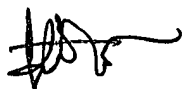
Strategic report (continued)
For the year ended 31 March 2021

Section 172 Statement (continued)

Regulators

Various aspects of our business involve oversight from regulators. We engage with regulators to understand changing regulations, ensuring we can meet these requirements. Inzpire takes its Environmental, Social and Governance (ESG) responsibilities very seriously and as mentioned above, has a Carbon Reduction Plan to reduce its carbon footprint to net zero by 2040.

This report was approved by the board on *March 16th 2022* and signed on its behalf.



A M Shaw
Director

Inzpire Limited

Directors' report For the year ended 31 March 2021

The Directors present their report and together with the audited financial statements of the Company for the year ended 31 March 2021.

Principal activity

The principal activities of the Company in the year under review were the provision of consultancy and training services to, and the development of, aviation related IT systems for the Ministry of Defence and the Defence Industry.

Results and dividends

The profit for the year, after taxation, amounted to £1,841,257 (2020 - £958,219).

No dividends were paid or proposed in the current year or prior year.

Directors

The Directors who served during the year were:

H M Griffiths
M S Boyes (resigned 16 December 2020)
J A Wood
A Whittle
J Priest
A Mitchell (resigned 28 June 2021)
R I Havercroft (appointed 29 July 2020)
P Osborn (appointed 21 April 2020)
S Brunning (appointed 29 July 2020, resigned 4 February 2022)
A M Shaw
S J Gilbert (appointed 21 July 2021)

Matters covered in the Strategic report

Financial risk management is not shown within the Directors' report as it is instead included within the Strategic report under s414C(11).

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

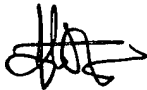
Inzpire Limited

Directors' report (continued)
For the year ended 31 March 2021

Auditor

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

This report was approved by the board on March 16th 2022 and signed on its behalf.



A M Shaw
Director

Inzpire Limited

Directors' responsibilities statement For the year ended 31 March 2021

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

Company law requires the Directors to prepare financial statements of the Company for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK standards, have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

Inzpire Limited

Independent auditor's report to the members of Inzpire Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Inzpire Limited ("the Company") for the year ended 31 March 2021 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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.

Inzpire Limited

Independent auditor's report to the members of Inzpire Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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.

Inzpire Limited

Independent auditor's report to the members of Inzpire Limited (continued)

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.

Extent to which the audit was 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 gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud;
- We considered the Company's compliance with laws and regulations that have a significant impact on the financial statements including, but not limited to, UK accounting standards, company law and tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company financial statements;
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We reviewed minutes of all Board meetings held during the year for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof;
- We addressed the risk of management override of internal controls, including testing a sample of journal entries based on risk criteria processed during and subsequent to the period and evaluating whether there was evidence of bias in these entries that represented a risk of material misstatement due to fraud; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Inzpire Limited

Independent auditor's report to the members of Inzpire Limited (continued)

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.

DocuSigned by:



Nick Poulter (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Guildford

United Kingdom

Date: 16 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Inzpire Limited

Statement of comprehensive income For the year ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	21,683,231	17,634,612
Cost of sales		(14,043,074)	(11,773,622)
Gross profit		7,640,157	5,860,990
Administrative expenses		(5,608,114)	(4,847,526)
Operating profit	5	2,032,043	1,013,464
Interest receivable and similar income	8	13,622	9,468
Interest payable and similar expenses	9	(9,626)	(1,298)
Profit before tax		2,036,039	1,021,634
Tax on profit	10	(194,782)	(63,415)
Profit for the financial year		1,841,257	958,219

All amounts relate to continuing operations.

There was no other comprehensive income for 2021 (2020 - £Nil).

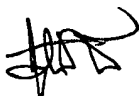
The notes on pages 18 to 41 form part of these financial statements.

Inzpire Limited
Registered number: 05456427

Statement of financial position
As at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	11	2,024,989	1,891,045
Tangible assets	12	1,908,649	507,741
		<u>3,933,638</u>	<u>2,398,786</u>
Current assets			
Stocks	13	178,979	130,176
Debtors: amounts falling due within one year	14	8,428,206	4,892,870
Cash and cash equivalents	15	2,453,657	4,063,598
		<u>11,060,842</u>	<u>9,086,644</u>
Creditors: amounts falling due within one year	16	<u>(3,770,237)</u>	<u>(2,764,532)</u>
Net current assets		7,290,605	6,322,112
Creditors: amounts falling due after more than one year		(370,521)	-
Deferred taxation	18	(412,729)	(371,890)
Net assets		<u>10,440,993</u>	<u>8,349,008</u>
Capital and reserves			
Called up share capital	19	406	406
Capital redemption reserve	20	194	194
Profit and loss account	20	10,440,393	7,663,272
Share based payment reserve	20	-	685,136
		<u>10,440,993</u>	<u>8,349,008</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on *March 16th 2022*



A M Shaw
Director

The notes on pages 18 to 41 form part of these financial statements.

Inzpire Limited

Statement of changes in equity For the year ended 31 March 2021

	Called up share capital	Capital redemption reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2020	406	194	685,136	7,663,272	8,349,008
Comprehensive income for the year					
Profit for the year	-	-	-	1,841,257	1,841,257
Total comprehensive income for the year	-	-	-	1,841,257	1,841,257
Contributions by and distributions to owners					
Share based payment expense	-	-	250,728	-	250,728
Share based payment reserve transfer	-	-	(935,864)	935,864	-
Total transactions with owners	-	-	(685,136)	935,864	250,728
At 31 March 2021	406	194	-	10,440,393	10,440,993

The notes on pages 18 to 41 form part of these financial statements.

Inzpire Limited

Statement of changes in equity For the year ended 31 March 2020

	Called up share capital	Capital redemption reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2019	406	194	181,734	6,715,525	6,897,859
Effect of adoption of IFRS 16	-	-	-	(10,472)	(10,472)
At 1 April 2019 (adjusted balance)	<u>406</u>	<u>194</u>	<u>181,734</u>	<u>6,705,053</u>	<u>6,887,387</u>
Comprehensive income for the year					
Profit for the year	-	-	-	958,219	958,219
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>958,219</u>	<u>958,219</u>
Contributions by and distributions to owners					
Share based payment expense	-	-	503,402	-	503,402
Total transactions with owners	<u>-</u>	<u>-</u>	<u>503,402</u>	<u>-</u>	<u>503,402</u>
At 31 March 2020	<u><u>406</u></u>	<u><u>194</u></u>	<u><u>685,136</u></u>	<u><u>7,663,272</u></u>	<u><u>8,349,008</u></u>

The notes on pages 18 to 41 form part of these financial statements.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

1. General information

Inzpire Limited is a private company incorporated in England and Wales under the Companies Act. It is a company limited by shares. The address of the registered office is given on the Company Information page and the nature of the Company's operations and principal activities are given in the Strategic Report and 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of 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;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 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 paragraph 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
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of QinetiQ Group plc as at 31 March 2021 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.3 Going concern

In March 2020, the UK entered into nationwide lockdown measures due to COVID-19. At this time, Inzpire took steps to safeguard staff, as well as continue to deliver our commitments to the Company's customers safely. During the previous financial year, the Company prepared a Short-Term Impact Statement to assess the risks potentially affecting the Company and have continued to monitor results and forecasts thereafter. The financial results exceeded expectations in the previous financial year, and we have confidence in the forecasts produced which are based on a clear understanding of the cost base and repeat nature, and indeed contractually secured, revenue streams that will enable the Company to settle liabilities as they fall due.

Due to the customer base being predominately with the Ministry of Defence it is deemed that there is little or no credit risk and in addition, due to the critical nature of the work being carried out, there has been no interruption to the delivery of our contracts, we have been able to continue to deliver these within the limitations of lockdown.

Taking into account the factors detailed above and considering the net assets and net current assets positions as at 31 March 2021, the Directors therefore consider it appropriate to prepare the Company's financial statements on a going concern basis.

2.4 Impact of new international reporting standards, amendments and interpretations

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 March 2021 that have had a material impact on the Company.

2.5 Turnover

Turnover is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Company recognises turnover when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company primarily provides service contracts and installation services to customers. Turnover for these contracts is recognised by stage of completion by reference to milestones stipulated by the contract, which each constitutes a distinct performance obligation.

Determining the transaction price:

The Company's turnover is derived from fixed price contracts for each turnover stream and therefore the amount of turnover to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations:

For most contracts, there is a fixed price for each product or service sold. Therefore there is no judgement involved in allocating the contract price to allocate to each turnover stream sold to one customer. Where a customer orders more than one service, the Company is able to determine the split of the total contract price between each turnover stream by reference to each standalone selling price. All turnover streams are capable of being, and are, sold separately.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.6 Amounts recoverable on contracts

Debtors include amounts recoverable on contracts, which are stated at cost plus attributable profit to the extent that such profit is reasonably certain and after making provision for any foreseeable losses in completing contracts, less payments on account received. Payments on account represent the excess of amounts billed over that earned and are included separately within creditors.

2.7 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 except when deferred in other comprehensive income as qualifying cash flow hedges.

2.8 Research and development

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Development costs are amortised on a straight line basis over the anticipated life of the benefits arising from the completed produce or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the Statement of comprehensive income.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.9 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.

2.10 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 Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.12 Share based payments

Where equity instruments are awarded to employees, the fair value of the award at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of equity instruments that eventually vest. Market vesting conditions are factored into the fair value of the award. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of the award are modified before they vest, the increase in the fair value, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.13 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 reporting 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 reporting 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 reporting date.

2.14 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.

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Development costs	- straight line over 7 years
Domain name, website and trademark	- 20% on cost

Amortisation is charged to the Statement of comprehensive income within administrative expenses.

2.15 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 the assets less their residual value over their estimated useful lives using the straight-line method.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

Depreciation is provided on the following bases:

Assets under construction	- Not depreciated. Once ready for intended use, the asset is transferred to the relevant asset class and depreciated under the corresponding policy.
Right of use assets - Property	- Straight line over lease term
Right of use assets - Motor vehicles	- Straight line over lease term
Plant and machinery	- 14% on cost
Fixtures and fittings	- 20% on cost
Office equipment	- 20% on cost
Computer equipment	- 20-33% on cost
Improvements to property	- 20% on cost

Depreciation is charged to the Statement of comprehensive income within administrative expenses.

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.

2.16 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 reporting 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 the Statement of comprehensive income.

2.17 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, and loans to related parties.

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through the Statement of comprehensive income.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Amortised Cost

These assets arise principally from the provision of goods and services to customers (eg trade debtors), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

Impairment provisions for current and non-current trade debtors are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade debtors. For trade debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Statement of comprehensive income. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Company elects to renegotiate the terms of trade debtors due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the Statement of comprehensive income (operating profit).

The Company's financial assets measured at amortised cost comprise trade and other debtors, amounts owed by group undertakings and cash and cash equivalents in the Statement of financial position.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

The Company does not have any liabilities held for trading nor does it voluntarily classify any financial liabilities as being at fair value through the Statement of comprehensive income.

Amortised Cost

Trade creditors and other short-term monetary liabilities are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

2.18 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the year to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

2. Accounting policies (continued)

2.18 Leases (continued)

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in the Statement of comprehensive income.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

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

In preparing these financial statements, the Directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Intangible fixed assets (see note 11)
Intangible fixed assets are amortised over their useful lives. The actual lives of the assets are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation and product life cycles are taken into account.
- Tangible fixed assets (see note 12)
Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Leases (see note 22)
On adoption of IFRS 16 a lease liability and corresponding right-of-use asset is recognised. The rate implicit in discounting the lease liability is based on the incremental borrowing rate of the Company and is considered a key source of estimation uncertainty.

4. Turnover

The whole of the turnover is attributable to the Company's principal activities.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	19,056,817	17,106,212
Rest of the world	2,626,414	528,400
	<u>21,683,231</u>	<u>17,634,612</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

5. Operating profit

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

	2021 £	2020 £
Depreciation of tangible fixed assets	273,361	240,262
Amortisation of intangible assets	486,553	409,075
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	29,100	29,100
Fees payable to the Company's auditor and its associates for non-audit services	5,800	12,050
Exchange differences	5,749	(43,499)
Inventory recognised as an expense	58,970	234,104
Defined contribution pension cost	811,188	628,031
Loss on sale of tangible assets	-	1,052
Research and development expenditure	74,371	80,819
	<u>74,371</u>	<u>80,819</u>

Of the audit fee above, £2,200 (2020 - £2,200) was paid in respect of the Parent Company (Inzpire Holdings Limited) and £2,200 (2020 - £2,200) in respect of the ultimate Parent Company (Inzpire Group Limited).

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	13,966,121	11,027,501
Social security costs	1,727,867	1,398,313
Cost of defined contribution scheme	811,188	628,031
	<u>16,505,176</u>	<u>13,053,845</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2021 No.	2020 No.
Staff	213	170
	<u>213</u>	<u>170</u>

The above represents the gross staff costs incurred during the year. Included in these amounts are the costs capitalised as development and fixed assets as follows: wages and salaries of £517,234 (2020 - £407,631), social security costs of £62,459 (2020 - £49,642) and pension costs of £29,468 (2020 - £18,708).

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

7. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	1,250,612	777,366
Directors' national insurance	161,240	97,038
Company contributions to defined contribution pension schemes	41,040	24,445
	<u>1,452,892</u>	<u>898,849</u>

During the year retirement benefits were accruing to 7 Directors (2020 - 7) in respect of defined contribution pension schemes.

During the year share based payments were vested for 5 Directors (2020 - Nil).

The highest paid Director received remuneration of £204,843 (2020 - £134,160).

The value of the share based payments that were settled during the year in respect of the highest paid Director amounted to £52,457 (2020 - £Nil).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £8,014 (2020 - £Nil).

8. Interest receivable and similar income

	2021 £	2020 £
Other interest receivable	<u>13,622</u>	<u>9,468</u>

9. Interest payable and similar expenses

	2021 £	2020 £
Interest on lease liabilities	<u>9,626</u>	<u>1,298</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	116,707	231,990
Adjustments in respect of previous periods	3,871	(210,403)
	<u>120,578</u>	<u>21,587</u>
Foreign tax		
Foreign tax on income for the year	33,365	6,228
	<u>33,365</u>	<u>6,228</u>
Total current tax	<u>153,943</u>	<u>27,815</u>
Deferred tax		
Origination and reversal of timing differences	37,178	2,402
Changes to tax rates	-	39,148
Adjustments in respect of prior years	3,661	(5,950)
Total deferred tax	<u>40,839</u>	<u>35,600</u>
Taxation on profit on ordinary activities	<u>194,782</u>	<u>63,415</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>2,036,039</u>	<u>1,021,634</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%)	386,847	194,110
Effects of:		
Expenses not deductible for tax purposes and other non-taxable items	(111,863)	117,475
Deferred tax in respect of prior years	3,661	(5,950)
Tax under/(over) provided in previous years	3,860	(210,403)
Change in tax laws and rate	-	38,866
Adjustment in research and development tax credit leading to a decrease in the tax charge	(87,723)	(70,683)
Total tax charge for the year	<u><u>194,782</u></u>	<u><u>63,415</u></u>

Factors that may affect future tax charges

A change in the main UK corporation tax rate, announced in the budget on 3 March 2021, was substantively enacted on 24 May 2021. From 1 April 2023 the main corporation tax rate will increase from 19% to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. Where the Company's profits fall between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in the corporation tax rate. This will increase the Company's future tax charge accordingly.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

11. Intangible assets

	Development costs £	Domain name, website and trademark £	Total £
Cost			
At 1 April 2020	3,115,074	48,233	3,163,307
Additions	602,367	-	602,367
Transfers	-	18,130	18,130
Disposals	-	(29,040)	(29,040)
At 31 March 2021	<u>3,717,441</u>	<u>37,323</u>	<u>3,754,764</u>
Amortisation			
At 1 April 2020	1,230,536	41,726	1,272,262
Charge for the year	479,757	6,796	486,553
Disposals	-	(29,040)	(29,040)
At 31 March 2021	<u>1,710,293</u>	<u>19,482</u>	<u>1,729,775</u>
Net book value			
At 31 March 2021	<u>2,007,148</u>	<u>17,841</u>	<u>2,024,989</u>
At 31 March 2020	<u>1,884,538</u>	<u>6,507</u>	<u>1,891,045</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

11. Intangible assets (continued)

Development costs have been capitalised in respect of new products. The costs capitalised are the staff salaries in respect of time spent directly developing the new products. Amortisation for all intangible assets is charged to administrative expenses.

Within development assets there are 11 material items:

	Carrying value 31 March 2021 £	Carrying value 31 March 2020 £	Remaining amortisation period (years)
GECO 7	133,577	227,866	1
GECO 9	141,583	204,510	2
GECO 10	150,844	204,083	3
GECO 11	170,683	219,449	4
GECO 12	84,410	106,431	4
GECO 14.1	113,633	140,369	4
GECO 14.2	99,918	121,718	5
GECO 14.3	85,730	103,468	5
GECO 15.1	151,604	179,592	5
GECO 15.2	167,331	196,016	6
GECO 16.2	304,586	-	7

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

12. Tangible fixed assets

	Assets under construction £	Right of use assets - Property £	Right of use assets - Motor vehicles £	Plant and machinery £	Fixtures and fittings £
Cost					
At 1 April 2020	144,775	252,258	20,665	204,201	105,666
Additions	955,292	515,668	-	-	3,608
Disposals	-	(252,258)	(20,665)	-	(89,336)
Transfers	(102,846)	-	-	84,716	-
At 31 March 2021	<u>997,221</u>	<u>515,668</u>	<u>-</u>	<u>288,917</u>	<u>19,938</u>
Depreciation					
At 1 April 2020	-	248,754	15,488	72,019	101,325
Charge for the year	-	59,522	5,177	31,188	2,886
Disposals	-	(252,258)	(20,665)	-	(89,336)
At 31 March 2021	<u>-</u>	<u>56,018</u>	<u>-</u>	<u>103,207</u>	<u>14,875</u>
Net book value					
At 31 March 2021	<u>997,221</u>	<u>459,650</u>	<u>-</u>	<u>185,710</u>	<u>5,063</u>
At 31 March 2020	<u>144,775</u>	<u>3,504</u>	<u>5,177</u>	<u>132,182</u>	<u>4,341</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

12. Tangible fixed assets (continued)

	Office equipment £	Computer equipment £	Improvements to property £	Total £
Cost				
At 1 April 2020	54,508	552,443	129,719	1,464,235
Additions	-	209,305	8,526	1,692,399
Disposals	(31,454)	(49,704)	(116,283)	(559,700)
Transfers	-	-	-	(18,130)
At 31 March 2021	<u>23,054</u>	<u>712,044</u>	<u>21,962</u>	<u>2,578,804</u>
Depreciation				
At 1 April 2020	43,324	350,428	125,156	956,494
Charge for the year	3,270	168,631	2,687	273,361
Disposals	(31,454)	(49,704)	(116,283)	(559,700)
At 31 March 2021	<u>15,140</u>	<u>469,355</u>	<u>11,560</u>	<u>670,155</u>
Net book value				
At 31 March 2021	<u>7,914</u>	<u>242,689</u>	<u>10,402</u>	<u>1,908,649</u>
At 31 March 2020	<u>11,184</u>	<u>202,015</u>	<u>4,563</u>	<u>507,741</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

13. Stocks

	2021 £	2020 £
Finished goods and goods for resale	178,979	130,176

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14. Debtors

	2021 £	2020 £
Trade debtors	2,538,757	3,155,322
Amounts owed by group undertakings	2,147,475	133,644
Other debtors	8,677	14,040
Prepayments and accrued income	3,453,155	1,578,490
Corporation tax	280,142	11,374
	<u>8,428,206</u>	<u>4,892,870</u>

Amounts owed by group undertakings are unsecured, interest-free and repayable on demand with the exception of the loan advanced by Qinetiq (see note 24).

15. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	2,453,657	4,063,598

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	876,729	201,833
Other taxation and social security	1,067,332	1,269,330
Lease liabilities	109,680	5,378
Other creditors	136,537	84,922
Accruals and deferred income	1,579,959	1,203,069
	<u>3,770,237</u>	<u>2,764,532</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

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

	2021 £	2020 £
Lease liabilities	370,521	-
	<u>370,521</u>	<u>-</u>

18. Deferred taxation

	2021 £	2020 £
At beginning of year	(371,890)	(336,290)
Movement in the year	(40,839)	(35,600)
At end of year	<u>(412,729)</u>	<u>(371,890)</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(412,729)	(375,541)
Short term timing differences	-	3,651
	<u>(412,729)</u>	<u>(371,890)</u>

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
406 Ordinary shares of £1 each	406	406
	<u>406</u>	<u>406</u>

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

20. Reserves

The Company has the following reserves:

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.

Share based payment reserve

The share based payment reserve represents the equity element on the equity-settled share based payments.

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

21. Share based payments

On 30 November 2018, a total of 399,708 shares were granted by QinetiQ Group plc, the ultimate parent company, to 136 employees of Inzpire Limited. The fair value of the shares on the grant date was £2.97.

During the year the shares vested and the total value of shares issued was based on the continued employment to the vesting date and, for five employees, was additionally subject to achievement of EBITA performance conditions. The shares were settled for the following month for an amount totalling £935,864.

The share based remuneration expense for the year was £250,728 (2020 - £503,402).

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

22. Leases

The Company leases assets comprising property and motor vehicles. Information about leases for which the Company is a lessee is presented below.

	Property £	Vehicles £	Total £
Right of use assets			
Balance at 1 April 2020	3,504	5,177	8,681
Additions	515,668	-	515,668
Depreciation charge for the year	(59,522)	(5,177)	(64,699)
Balance at 31 March 2021	459,650	-	459,650

	Due within one year £	Due after more than one year £
Lease liabilities		
Lease liabilities included in the statement of financial position at 31 March 2021	109,680	370,521

	£
Amounts recognised in profit or loss	
Depreciation charge for the year on right-of-use assets	64,699
Interest on lease liabilities	9,626

The total cash flows arising from lease liabilities for the year were £50,635 (2020 - £63,997)

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 cost charge represents contributions payable by the Company to the fund and amounted to £811,188 (2020 - £628,031), of which £29,468 (2020 - £18,708) has been capitalised during the year. Contributions totalling £134,816 (2020 - £82,633) were payable to the fund at the reporting date and are included in creditors.

Inzpire Limited

Notes to the financial statements For the year ended 31 March 2021

24. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS 101 relating to the requirements of IAS 24 Related Party Disclosures to disclose transactions between wholly owned members of the Group.

During the year to 31 March 2021, the Company paid QinetiQ management fees of £302,942 (2020 - £23,730), and paid a licence fee for desks at the QinteiQ Lincoln building of £33,624 (2020 - £8,837).

During the year to 31 March 2021, the Company received income from QinetiQ relating to work carried out of £6,452,681 (2020 - £1,586,818). These amounts are included within turnover.

As at 31 March 2021, the amount due from QinetiQ to the Company in respect of work carried out was £1,017,689 (2020 - £324,279). These amounts are included within trade debtors.

As at 31 March 2021, the amount due to QinetiQ from the Company in respect of services provided was £529,030 (2020 - £Nil). These amounts are included within trade creditors.

As at 31 March 2021, the amount due from QinetiQ to the Company in respect of a loan advanced during the year was £2,013,831 (2020 - £Nil). Interest received by the Company on this loan was £13,831 (2020 - £Nil). This loan is unsecured, repayable on demand and subject to an interest rate of 3 month LIBOR + 1.5%. The loan balance outstanding is included under "Amounts owed by group undertakings" within debtors.

25. Controlling party

Inzpire Holdings Limited, a company registered in England and Wales, is the immediate parent company.

QinetiQ Group plc is the ultimate controlling party and the smallest and largest group for which consolidated accounts are produced. These consolidated accounts are publicly available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. The registered address of QinetiQ Group plc is Cody Technology Park, Ively Road, Farnborough, Hampshire, England, GU14 0LX.