

In-Space Missions Limited

Annual Report and Financial Statements

31 December 2022

Registered number: 09747274



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Directors' Report

Company registration

In-Space Missions Limited (the "Company") is a private company, limited by shares and registered in England and Wales with the registered number 09747274.

The Company is a member of the BAE Systems plc Group ("BAE Systems Group" or "Group") of companies.

Business review and principal activities

The principal activity of the Company is the manufacture of scientific equipment.

On 10 September 2021, BAE Systems (Holdings) Limited acquired the full share capital of the Company and invested £2,000,000 capital in the Company.

This is the first year that the Company has prepared its financial statements in accordance with FRS101. The last financial statements were prepared in accordance with FRS102. The date of transition to FRS101 was 1 September 2021. This transition did not result in any changes to the prior year numbers.

The Company changed its year end from 31 August to 31 December; as a result the current accounting period was extended to 16 months.

Results and dividends

The Company's loss for the 16 month period ended 31 December 2022 is £4,134,646 (year ended 31 August 2021: £1,301,391 loss). The directors do not propose a dividend for the 16 month period ending 31 December 2022 (2021: £nil).

The increased loss in the year has been driven by the extended reporting period and an increase in investment in product development.

Looking forward

The Company intends to continue with its existing contracts and build on opportunities arising from it joining the BAE Systems Group.

Events after the reporting period

There have been no significant events affecting the Company since the period end.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the Company being having net liabilities of £2,859,605. The directors believe this to be appropriate for the following reason; the Company is dependent for its working capital on funds provided to it by BAE Systems plc, the Company's ultimate parent. BAE Systems plc has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company. The directors consider that this will enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Directors' Report (continued)

Small companies exemption

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

Directors and their interests

The directors who served throughout the period and up to the date of this Directors' Report, unless otherwise stated, were as follows:

D I Armstrong (appointed 30 March 2022)
A P Holt
J D Liddle
K O'Donnell
S Parker
E J Stevens
J F C Cracknell (appointed 10 September 2021 and resigned 30 March 2022)

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 act as the auditors for this entity, and accordingly a resolution for its appointment will be put to the Company's members.

Approved by the Board and signed on its behalf by:



S Parker
Director

Date: 28th September 2023

Registered office:
In-Space Missions Limited
8 Oriel Court
Omega Park
Alton
Hampshire
GU34 2YT

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 Financial Reporting Standard 101 ("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;
- state whether applicable UK Accounting 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.

Independent Auditor's Report to the Members of In-Space Missions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of In-Space Missions Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 25.

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.

Independent Auditor's Report to the Members of In-Space Missions Limited (continued)

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.

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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory framework 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. These included the UK Companies Act, pensions legislation and tax legislation; 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.

Independent Auditor's Report to the Members of In-Space Missions Limited (continued)

As a result of performing the above, we identified the area with the greatest potential for fraud to be in relation to revenue and margin recognition on long term contracts. The specific procedures we performed to respond to this risk included:

- examining external evidence to support contract status and estimation of variable consideration (including associated recoverability of contract balances), such as customer correspondence; and
- analysing historical contract performance and testing the underlying calculations used in contract assessments for accuracy and completeness.

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 council 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, reviewing internal audit reports and reviewing correspondence with with relevant regulatory authorities.

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 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 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 take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of In-Space Missions 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.



Jamie Mander ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
Reading, United Kingdom

Date: 28 September 2023

In-Space Missions Limited
Annual Report and Financial Statements
31 December 2022

Income Statement and Statement of Comprehensive Income
for the 16 month period ended 31 December 2022

	Note	16 months to 31 December 2022 £	As restated year ended 31 August 2021 £
Revenue	3	6,111,003	4,554,904
Operating costs	4	(10,958,000)	(6,640,665)
Other income	5	770,660	426,506
Operating loss		(4,076,337)	(1,659,255)
Financial expense	6	(45,167)	(72,602)
Loss before tax		(4,121,504)	(1,731,857)
Tax	9	(13,142)	430,466
Loss for the 16 month period/year		(4,134,646)	(1,301,391)
Other comprehensive income:			
Items that may be reclassified to Income Statement:			
Fair value gain arising on hedging instruments during the period		40,402	-
Cumulative fair value loss on hedging instruments reclassified to the income statement		17,299	-
Tax on other comprehensive income		(14,425)	-
Other comprehensive income after tax		43,276	-
Total comprehensive income for the 16 month period/year		(4,091,370)	(1,301,391)

The results for the 16 month period ended 31 December 2022 and the year ended 31 August 2021 are from continuing activities.

Prior year figures have been restated, see note 23.

The notes on pages 12 to 38 form part of these financial statements.

In-Space Missions Limited
Annual Report and Financial Statements
31 December 2022

Balance Sheet
as at 31 December 2022

	Note	As at 31 December 2022 £	As at 31 August 2021 £
Non-current assets			
Property, plant and equipment	10	479,409	200,297
Intangible assets	11	47,487	-
Right-of-use assets	12	509,746	-
Other receivables	15	1,972,714	-
		<u>3,009,356</u>	<u>200,297</u>
Current assets			
Inventories	14	186,660	-
Trade and other receivables	15	1,422,436	435,157
Other financial assets	17	75,000	-
Cash and cash equivalents		1,002,480	2,170,609
Current tax		494,650	621,183
		<u>6,190,582</u>	<u>3,427,246</u>
Total assets			
Non-current liabilities			
Lease liabilities	12	(512,635)	-
Deferred tax liabilities	13	(27,531)	(32,207)
Provisions	21	(76,007)	-
Loans and overdrafts	16	-	(535,300)
		<u>(616,173)</u>	<u>(567,507)</u>
Current liabilities			
Trade, other and contract payables	16	(8,434,014)	(3,640,956)
		<u>(8,434,014)</u>	<u>(3,640,956)</u>
Total liabilities			
		<u>(9,050,187)</u>	<u>(4,208,463)</u>
Net liabilities			
		<u>(2,859,605)</u>	<u>(781,217)</u>

In-Space Missions Limited
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Balance Sheet (continued)
as at 31 December 2022

	Note	As at 31 December 2022 £	As at 31 August 2021 £
Capital and reserves			
Issued share capital	19	2,000,222	214
Hedging reserve	20	56,250	-
Retained deficit		(4,916,077)	(781,431)
Total equity		<u>(2,859,605)</u>	<u>(781,217)</u>

Approved by the Board on *28th September 2023* and signed on its behalf by:

S Parker

S Parker
Director

Registered number: 09747274

The notes on pages 12 to 38 form part of these financial statements.

Prior year figures have been restated, see note 23.

Statement of Changes in Equity
for the 16 month period ended 31 December 2022

	Issued share capital	Hedging reserve	Retained deficit	Total equity
	£	£	£	£
At 1 September 2020	206	-	(530,925)	(530,719)
Loss for the year (restated)	-	-	(1,301,391)	(1,301,391)
Share-based payments (restated)	-	-	1,050,885	1,050,885
Shares issued during the year	8	-	-	8
At 31 August 2021	<u>214</u>	<u>-</u>	<u>(781,431)</u>	<u>(781,217)</u>
Loss for the 16 month period	-	-	(4,134,646)	(4,134,646)
Other comprehensive income for the 16 month period	-	43,276	-	43,276
Shares issued during the 16 month period	2,000,008	-	-	2,000,008
Cumulative fair value loss on hedging instruments transferred to the balance sheet (net of tax) for the 16 month period	-	12,974	-	12,974
At 31 December 2022	<u>2,000,222</u>	<u>56,250</u>	<u>(4,916,077)</u>	<u>(2,859,605)</u>

The notes on pages 12 to 38 form part of these financial statements.

Prior year figures have been restated, see note 23.

Notes to the Financial Statements

1. General information

In-Space Missions Limited is a private company, limited by shares, and registered in England and Wales and incorporated in the United Kingdom. Its ultimate controlling party is disclosed in note 25. The address of the Company's registered office is shown on page 2.

The principal activity of the Company is set out in the Directors' Report on page 1. 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 pound.

Foreign operations are included in accordance with the policies set out in note 2.2.

2. Accounting policies

2.1 Basis of preparation

The financial statements for the year ended 31 August 2021 were prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The date of transition to FRS 101 was therefore 1 September 2022. The Company changed its year end date to 31 December; as such the current accounting period was extended to 16 months and the comparatives are not comparable.

These financial statements have been prepared in accordance with FRS 101. The Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS"), 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 IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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 Presentation of Financial Statements;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - 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 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;

Notes to the Financial Statements

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- 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; and
- 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.

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 of accounting.

Key sources of estimation uncertainty

There were no significant accounting policies that are considered by the directors to contain key sources of estimation uncertainty.

Critical accounting judgments

In the course of preparing the financial statements, no judgments 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.

Changes in accounting policies

Several standards, interpretations and amendments to existing standards became effective on 1 January 2022, none of which had a material impact on the Company.

The following standards, interpretations and amendments to existing standards became effective on 1 January 2022 and have not had a material impact on the Company:

- Amendments to IFRS 3: Business Combinations;
- Amendments to IAS 16: Property, Plant and Equipment;
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets; and
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 January 2022. These are expected to be endorsed by the UK Endorsement Board and are not expected to have a material impact on the Company:

- IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Amendments to FRS 101: reduced disclosure framework, effective from 1 January 2023;
- Amendments to IAS 1: Presentation of Financial Statements, effective from 1 January 2024;

Notes to the Financial Statements

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- Amendments to IAS1 and IFRS Practice statement 2: Disclosure of Accounting Policies, effective from 1 January 2023;
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, effective from 1 January 2023;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; and
- Amendments to IAS 12: Income Taxes, effective from 1 January 2023.
- Amendments to IAS 7 and IFRS 7: Supplier financing arrangements disclosures, effective from 1 January 2024; and
- Amendments to IFRS 16: Leases - Sale and leaseback transactions.

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.

2.2 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.

2.3 Revenue and profit recognition

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, 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 good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and 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 goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices.

Notes to the Financial Statements

2. Accounting policies (continued)

2.3 Revenue and profit recognition (continued)

Given the bespoke nature of many of the Company's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are typically no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Company's pricing principles. Whilst payment terms vary from contract to contract, on many of the Company's contracts, an element of the transaction price is received in advance of delivery. The Company therefore has significant contract liabilities.

The Company's contracts are not considered to include significant financing components on the basis that there is no difference between the consideration and the cash selling price either as a result of UK Ministry of Defence contracting rules which prohibit the inclusion of financing in the sales price or negotiations on competitive international export contracts which do not make allowance for the cash payment profile.

Revenue is recognised as performance obligations are satisfied when control of the goods and services are transferred 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. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs;
- Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

The Company has determined that most of its contracts satisfy the over-time criteria, either because the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs (typically services or support contracts) or the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date (typically development or production contracts).

For each performance obligation to be recognised over time, 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, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Company has determined that this method faithfully depicts the Company's performance in transferring control of the goods and services to the customer.

If the over-time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Notes to the Financial Statements

2. Accounting policies (continued)

2.3 Revenue and profit recognition (continued)

Outstanding commitments

The Company regularly reviews outstanding commitment for purchases in its supply chain in order to inform revenue recognition under IFRS15 trading principles. Where the Company has received notification that the supplier has completed the manufacture of goods, but has not yet delivered and invoiced for them and the ultimate customer controls the asset, i.e. neither the subcontractor or the Company have an alternative use for the asset, the Company will accrue for these costs and recognise revenue in line with overtime trading principles under IFRS15.

Contract modifications

The Company's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively, as an additional, separate contract; or
2. prospectively, as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Company's contract modifications are treated under either 1 (for example, the requirement for additional distinct goods or services) or 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

Costs to obtain a contract

The Company expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Company does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Costs to fulfil a contract

Contract fulfillment costs in respect of over-time contracts are expensed as incurred. Contract fulfillment costs in respect of point-in-time contracts are accounted for under IAS 2 Inventories.

2.4 Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Balance Sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

Notes to the Financial Statements

2. Accounting policies (continued)

2.5 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.

The carrying amounts of the Company's right-of-use assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment.

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.

2.6 Intangible assets

Intangible assets are carried at historic cost, less accumulated amortisation and impairment losses.

Amortisation

Amortisation on intangible assets, is charged to the Income Statement on a straight-line basis over their estimated useful lives.

The estimated useful lives are as follows:

Software - 2 to 5 years

2.7 Property, plant and equipment

Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, testing costs and an appropriate proportion of production overheads. The cost of demonstration assets is written off as incurred.

Assets held for leasing out under operating leases are included in property, plant and equipment at cost less accumulated depreciation and impairment losses.

Notes to the Financial Statements

2. Accounting policies (continued)

2.7 Property, plant and equipment (continued)

Depreciation

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

Leasehold improvements	- up to 5 years, or the lease term if shorter
Computer equipment	- 3 years
Office equipment	- 5 years
Lab equipment	- 5 years

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

2.8 Impairment

The carrying amounts of the Company's intangible assets, property, plant and equipment, and right-of-use assets, are reviewed at each Balance Sheet date to determine whether there is any indication of impairment as required by IAS 36 Impairment of Assets. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Income Statement.

An impairment loss in respect of intangible assets, property, plant and equipment, and right-of-use assets is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Trade and other 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.

Notes to the Financial Statements

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and which are subject to an insignificant risk of change in value.

2.11 Trade, other and contract payables

Trade and other payables are stated at amortised cost.

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

2.12 Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

Onerous contracts

Other provisions include provisions for onerous contracts, which are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

2.13 Financial instruments

Derivative financial instruments and hedging activities

The international nature of the Company's business means that it is exposed to volatility in currency exchange rates. In order to protect itself against currency fluctuations, the Company's policy is to hedge all material firm transactional exposures.

In accordance with its treasury policy, the Company does not hold derivative financial instruments for trading purposes.

The Company aims to achieve hedge accounting treatment for all derivatives that hedge material foreign currency exposures.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, such instruments are stated at fair value at the Balance Sheet date. Fair values are estimated by discounting expected future cash flows.

Fair value through profit or loss

Gains and losses on derivative financial instruments that are not designated as cash flow hedges are recognised in the Income Statement for the period.

Notes to the Financial Statements

2. Accounting policies (continued)

2.13 Financial instruments (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows relating to a highly probable forecast transaction (income or expense), or recognised asset or liability, the effective portion of any change in the fair value of the instrument is recognised in other comprehensive income and presented in the hedging reserve in equity. Amounts recognised in equity are reclassified from the hedging reserve into the cost of the underlying transaction and recognised in the Income Statement when the underlying transaction affects profit or loss. The ineffective portion of any change in the fair value of the instrument is recognised in the Income Statement immediately. The Company treats the foreign currency basis element of the designated foreign exchange derivative hedging instrument as a cost of hedging and as such it is excluded from the hedge designation.

2.14 Pensions

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 entity and 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.

2.15 Tax

The tax expense comprises current and deferred tax. Current and deferred tax is recognised in the Income Statement except to the extent that it relates to a business combination or items recognised directly in equity or 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 tax 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.

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.

Notes to the Financial Statements

2. Accounting policies (continued)

2.15 Tax (continued)

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 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.

2.16 Share based payments

The Company has granted equity-settled share options which are measured at fair value at the date of grant using a discounted cash flow model. The fair value is expensed straight line over the vesting period, based on non-market conditions. Where the vesting date has accelerated within an accounting period the full remaining charge has been recognised in that period.

3. Revenue

Revenue by class of business is as follows:

	16 months to 31 December 2022 £	Year ended 31 August 2021 £
Long term contracts	285,419	4,554,904
Long term intercompany	5,825,584	-
	<u>6,111,003</u>	<u>4,554,904</u>

Revenue by customer location:

	16 months to 31 December 2022 £	Year ended 31 August 2021 £
United Kingdom	5,931,101	3,860,860
Europe	84,957	694,044
USA	57,265	-
Rest of world	37,680	-
	<u>6,111,003</u>	<u>4,554,904</u>

Notes to the Financial Statements

4. Operating costs

	16 months to 31 December 2022 £	As restated year ended 31 August 2021 £
Raw materials, subcontracts and other bought-in items used	4,356,138	3,222,843
IT consumables	236,321	56,802
Staff costs (note 7)	4,985,284	2,964,287
Depreciation of fixed assets and amortisation of intangible assets	361,272	43,408
Other operating charges	1,018,985	353,325
	10,958,000	6,640,665

The remuneration of the auditor for the 16 month period ended 31 December 2022 for auditing of the financial statements was £40,000 (year ended 31 August 2021: £5,000) and £nil (2021: £nil) in respect of non-audit work.

Prior year figures have been restated, see note 23.

5. Other income

	16 months to 31 December 2022 £	Year ended 31 August 2021 £
Research and development expenditure credits	494,650	38,510
Grant income	276,010	387,996
	770,660	426,506

6. Financial expense

	16 months to 31 December 2022 £	Year ended 31 August 2021 £
Interest expense	38,573	52,283
Foreign exchange losses	6,594	20,319
	45,167	72,602

Notes to the Financial Statements

7. Employees

The monthly average number of Company* employees was 54 (year ended 31 August 2021: 26). The aggregate staff costs of Company employees were as follows:

	16 months to 31 December 2022 £	As restated year ended 31 August 2021 £
Wages and salaries	4,121,328	1,592,189
Social security costs	494,842	180,081
Cost of defined contribution pension scheme	369,114	141,132
Share-based payments (note 24)	-	1,050,885
	<u>4,985,284</u>	<u>2,964,287</u>

* There is only one category of employee

Prior year figures have been restated, see note 23.

Notes to the Financial Statements

8. Directors' remuneration

The disclosures below represent an allocation of the emoluments received by the directors to reflect their qualifying services to the Company.

	16 months to 31 December 2022 £	Year ended 31 August 2021 £
Directors' remuneration	934,029	976,958
Company contributions to defined contribution pension schemes	89,464	44,996
	1,023,493	1,021,954

Retirement benefits are accruing to the following number of directors under:

	16 months to 31 December 2022 Number of directors	Year ended 31 August 2021 Number of directors
Defined contribution schemes	5	5

	16 months to 31 December 2022 Number of directors	Year ended 31 August 2021 Number of directors
Number of directors who exercised share options	-	1
Number of directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	-	1

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

	16 months to 31 December 2022 £	Year ended 31 August 2021 £
Remuneration and amounts receivable under long-term incentive schemes	203,943	473,216
Company contributions to defined pension schemes	20,300	6,521
	224,243	479,737

Notes to the Financial Statements

9. Tax

	16 month period to 31 December 2022 £	Year ended 31 August 2021 £
Current tax		
UK:		
Current tax	-	462,673
Adjustments in respect of prior years	(36,568)	-
Deferred tax		
Origination and reversal of temporary differences	30,102	-
Tax rate adjustment ¹	(6,676)	(32,207)
	23,426	(32,207)
Tax (expense)/income	(13,142)	430,466

¹The Government announced in 2021 that from 1 April 2023 the UK corporation tax rate would increase from 19% to 25%. The deferred tax liability at each Balance Sheet date has been calculated at the tax rates, enacted at that date, expected to apply to the temporary differences when they reverse.

No provision for current tax is required. The Company has surrendered its tax losses to fellow group companies free of charge.

Notes to the Financial Statements

9. Tax (continued)

Reconciliation of tax result

The following reconciles the expected tax (expense)/income using the UK corporation tax rate, to the reported tax income:

	16 month period to 31 December 2022 £	Year ended 31 August 2021 £
Loss before tax	4,121,504	1,731,857
UK corporation tax rate	19.00%	19.00%
Expected tax income on loss	783,086	329,053
Expenses not tax effected	(5,845)	(201,041)
Research and development tax credits and patent box benefits	-	306,598
Property, plant and equipment	(1,302)	-
Provisions and accruals	3,947	-
Imputed interest expense	5,216	-
Losses surrendered to fellow group companies	(744,542)	-
Adjustments in respect of prior years	(43,244)	-
Timing differences not provided	(10,458)	(4,144)
Tax (expense)/income	(13,142)	430,466

¹ The Government announced in 2021 that from 1 April 2023 the UK corporation tax rate would increase from 19% to 25%. The deferred tax asset at each Balance Sheet date has been calculated at the tax rates, enacted at that date, expected to apply to the temporary differences when they reverse. The resulting tax rate adjustment has been recorded in the Income Statement.

Notes to the Financial Statements

10. Property, plant and equipment

	Lab equipment £	Office equipment £	Computer equipment £	Leasehold improvement £	Total £
Cost or valuation					
At 1 September 2021	55,588	31,053	88,015	91,329	265,985
Additions	96,473	30,690	140,455	182,054	449,672
At 31 December 2022	152,061	61,743	228,470	273,383	715,657
Depreciation					
At 1 September 2021	24,554	6,250	25,827	9,057	65,688
Depreciation charge for the 16 month period	34,732	11,624	67,762	56,442	170,560
At 31 December 2022	59,286	17,874	93,589	65,499	236,248
Net book value					
At 31 December 2022	92,775	43,869	134,881	207,884	479,409
At 1 September 2021	31,034	24,803	62,188	82,272	200,297

Notes to the Financial Statements

11. Intangible assets

	Software £
Cost	
At 1 September 2021	-
Additions	55,460
At 31 December 2022	<u>55,460</u>
Amortisation	
At 1 September 2021	-
Amortisation charge for the 16 month period	7,973
At 31 December 2022	<u>7,973</u>
Net book value	
At 31 December 2022	<u>47,487</u>

Notes to the Financial Statements

12. Leases

The Company leases land and buildings under noncancellable lease arrangements. There are no terms that represent unusual arrangements or create material onerous or beneficial rights or obligations.

	As at 31 December 2022	As at 31 August 2021
	Land and buildings £	Land and buildings £
Opening net book value	-	-
Additions during the period	692,485	-
Depreciation expense for the 16 month period	(182,739)	-
Closing net book value	<u>509,746</u>	<u>-</u>

Lease liabilities

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

	16 month period to December 2022 £	Year ended 31 August 2021 £
Payments due:		
Within one year	113,906	-
Between one and five years	398,729	-
	<u>512,635</u>	<u>-</u>

The total cash outflow for leases recognised on the Balance Sheet in the 16 month period ended 31 December 2022, amounted to £151,875 (year ended August 31 2021: £nil).

Notes to the Financial Statements

12. Leases (continued)

Amounts recognised in the Income Statement

	16 month period to December 2022	Year ended 31 August 2021
	£	£
Included in operating costs:		
Depreciation charge for the 16 month period	182,739	-
	182,739	-
	182,739	-

13. Deferred taxation

Deferred tax assets/(liabilities)

	Deferred tax assets		Deferred tax liabilities		Net balance	
	As at 31 December 2022	As at 31 August 2021	As at 31 December 2022	As at 31 August 2021	As at 31 December 2022	As at 31 August 2021
	£	£	£	£	£	£
Property, plant and equipment	-	-	(28,316)	(35,295)	(28,316)	(35,295)
Provisions and accruals	19,535	3,088	-	-	19,535	3,088
Financial instruments	-	-	(18,750)	-	(18,750)	-
	19,535	3,088	(47,066)	(35,295)	(27,531)	(32,207)
Deferred tax assets/(liabilities)	19,535	3,088	(47,066)	(35,295)	(27,531)	(32,207)

Movement in temporary differences during the year

	As at 31 August 2021	Recognised in income	Recognised in equity	As at 31 December 2022
	£	£	£	£
Property, plant and equipment	(35,295)	6,979	-	(28,316)
Provisions and accruals	3,088	16,447	-	19,535
Financial instruments	-	-	(18,750)	(18,750)
	(32,207)	23,426	(18,750)	(27,531)
	(32,207)	23,426	(18,750)	(27,531)

Notes to the Financial Statements

13. Deferred taxation (continued)

	As at 1 September 2020 £	Recognised in income £	As at 31 December 2021 £
Property, plant and equipment	-	(35,295)	(35,295)
Provisions and accruals	-	3,088	3,088
	<u>-</u>	<u>(32,207)</u>	<u>(32,207)</u>

The deferred tax asset, which has not been recognised in the financial statements, is made up as follows:

	As at 31 December 2022 £	As at 31 August 2021 £
Unrecognised tax losses	21,640	7,464
	<u>21,640</u>	<u>7,464</u>

The deferred tax asset has not been recognised because there is insufficient evidence of future taxable profits to support its recoverability.

14. Inventories

	As at 31 December 2022 £	As at 31 August 2021 £
Raw materials and consumables	186,660	-
	<u>186,660</u>	<u>-</u>

Notes to the Financial Statements

15. Trade and other receivables

	As at 31 December 2022 £	As at 31 August 2021 £
Non-current		
Amounts owed by BAE Systems plc subsidiaries	1,972,714	-
Current		
Trade debtors	192,498	83,558
Prepayments	994,111	339,599
Other debtors	31,570	12,000
VAT recoverable	204,257	-
	1,422,436	435,157

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

The impact of discounting non-current amounts owed by BAE Systems and its subsidiaries is not material given that the amounts are repayable on demand and therefore the contractual period over which these loans could be recalled is one day after the end of the reporting period, so has not been applied.

Notes to the Financial Statements

16. Trade, other and contract payables

	As at 31 December 2022 £	As at 31 August 2021 £
Non-current		
Bank loans (note 18)	-	535,300
Current		
Bank loans (note 18)	-	239,167
Trade creditors	661,196	634,547
Amounts owed to BAE Systems plc subsidiaries	6,043,185	-
Other taxation and social security	137,217	446,755
Other creditors	36,141	80,666
Accruals	245,307	416,865
Contract liabilities	1,310,968	1,822,956
	<u>8,434,014</u>	<u>3,640,956</u>

Revenue recognised in the year includes £1,822,956 (2021: £615,022) that was included in the opening contract liabilities balance.

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

17. Other financial assets

	As at 31 December 2022 £	As at 31 August 2021 £
Financial assets		
Current		
Cash flow hedges – foreign exchange contracts	75,000	-

Notes to the Financial Statements

18. Loans

Analysis of the maturity of loans is given below:

	As at 31 December 2022	As at 31 August 2021
	£	£
Amounts falling due 1-2 years		
Bank loans	-	535,300
	-	535,300
	-	535,300

The bank loans were settled on acquisition of In-Space Missions Limited by BAE Systems (Holdings) Limited.

19. Share capital

Shares issued and paid in full

	Value per share £	Number of shares	Nominal value £
As at 31 August 2020	0.0001	2,060,000	206
Shares issued in year	0.0001	76,960	8
		2,136,960	214
As at 31 August 2021			
Shares issued in period	0.0001	20,000,077,583	2,000,008
		20,002,214,543	2,000,222
As at 31 December 2022		20,002,214,543	2,000,222

Notes to the Financial Statements

20. Hedging reserve

	As at 31 December 2022	As at 31 August 2021
	£	£
Opening hedging reserve	-	-
Amounts credited to hedging reserve	56,250	-
	56,250	-
	56,250	-

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

21. Provisions

	Onerous contracts £
As at 1 September 2021	-
Created	76,007
	76,007
At 31 December 2022	76,007
Represented by:	
Non-current	76,007
Current	-
	76,007
	76,007

Onerous contracts

The Company has recognised a provision for one of its contracts, where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision is expected to last the life of the contract.

22. Events after the reporting period

There have been no significant events affecting the Company since the period end.

Notes to the Financial Statements

23. Prior year restatement

In 2020, the Company issued 157,460 shares and share options to employees. These share options were equity settled and further details are disclosed in note 24. The share options were measured at nominal value in the prior year at a value of £0.0001 per share. Accordingly, the Company did not recognise an expense due to the share options having an insignificant value. Following the acquisition of the Company by the BAE Systems Group on 10 September 2021, the directors have reconsidered the valuation at the grant date in light of this additional information about the conditions which existed at that date, and determined that the fair value of the share options was £6.80 per share at the share option grant date based on valuation from BAE Systems Group and external valuations specialists. The prior year comparative has been restated accordingly.

The following tables summarise the impact of the prior period error on the financial statements of the Company:

Income Statement (extract)

	2021 As previously reported £	Impact of restatement £	2021 Restated £
Operating costs	(5,589,780)	(1,050,885)	(6,640,665)
Operating loss	(608,370)	(1,050,885)	(1,659,255)
Loss before tax	(680,972)	(1,050,885)	(1,731,857)
Loss for the year	(250,506)	(1,050,885)	(1,301,391)
Total comprehensive income	(250,506)	(1,050,885)	(1,301,391)

Statement of changes in equity (extract)

	2021 As previously reported £	Impact of restatement £	2021 Restated £
Loss for the year	(250,506)	(1,050,885)	(1,301,391)
Share-based payments	-	1,050,885	1,050,885

Notes to the Financial Statements

24. Share-based payments

In December 2020, In-Space Missions Limited issued 60,000 shares to an employee of the Company at a nominal value of £0.0001. These have been determined to be a share-based payment transaction within the scope of IFRS 2, and as such the consideration received has been valued at fair value of £6.80 per share.

In December 2020, In-Space Missions Limited also granted 80,500 shares options in the Company to employees, to vest over a period of 3 years of employment in the Company, with no other vesting conditions beyond continued employment in the Company. The options were due to vest in 6 equal installments every 6 months starting on 1 July 2021 and ending on 1 January 2024. Once vested, each share option granted the option to purchase 1 ordinary share of the Company for £0.0001. No amounts were paid or payable by the recipient on receipt of the option. Options granted were exercisable in accordance with the employee's length of service or at the discretion of the directors and were forfeited if the employee left the Company before the options vested.

On 27 August 2021, prior to the acquisition of the Company by the BAE Systems Group, the directors agreed that all existing share options should vest and as such 77,583 options were vested in the year ended 31 August 2021. With the acquisition of the Company by the BAE Systems Group on 10 September 2021, all options were exercised by employees, leaving none outstanding as at 31 December 2022.

Additionally, In-Space Missions Limited granted 16,960 share options on 23 December 2020 to vest over a 6 month period. Once vested, the options would convert into shares in the Company for nil consideration. The options were contingent on continued employment over the 6 month period. All of these options vested and were exercised within the year ended 31 August 2021.

Details of the share options outstanding at the period end is as follows:

	16 month period ended December 2022		Year ended August 2021	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at the beginning of the period/year	77,583	0.0001	-	-
Granted during the period/year	-	-	97,460	0.0001
Forfeited during the period/year	-	-	(2,917)	0.0001
Exercised during the period/year	(77,583)	0.0001	(16,960)	-
Outstanding at the end of the period/year	-	-	77,583	0.0001

The share options have been valued based on the purchase price of the Company by the BAE Systems Group for £15.06m on 10 September 2021 as the directors believe this to be a close approximation to the fair value of the share options on the grant date. This gave the options a fair value of £6.80 per share. A charge of £nil has been recognised in the Income Statement for the 16 month period ended 31 December 2022 (year ended 31 August 2021: £1,050,885 (restated)).

Notes to the Financial Statements

25. Controlling parties

Prior to 10 September 2021, the Company was controlled by the Director shareholders. Following acquisition by the BAE Systems Group the immediate parent company is BAE Systems (Holdings) Limited and the ultimate 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