Registration number: 01877695

QinetiQ Target Systems Limited

Annual report and financial statements

for the year ended 31 March 2021

QinetiQ Target Systems Limited
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QinetiQ Target Systems Limited
Company information

Directors	John Clark Andy Thorp Richard Ackerman
Company secretary	Jon Messent
Registered office	Cody Technology Park Ively Road Farnborough Hampshire GU14 0LX
Independent auditors	PricewaterhouseCoopers LLP Savannah House 3 Ocean Way Southampton SO14 3TJ

QinetiQ Target Systems Limited
Strategic report for the year ended 31 March 2021

The Directors present their Strategic report for the year ended 31 March 2021.

Principal activities
The principal activities of the Company during the year were the manufacturing of target drones for the armed forces and the performance of related services.

Business review
The profit before taxation was £1.3m for the year ended 31 March 2021 (2020: £6.8m) and the Company has net assets of £19.4m as at 31 March 2021 (2020: £18.1m).

The Company's key performance indicators during the year were as follows:

	Unit	2021	2020
Orders	£ m	27.7	22.3
Revenue	£ m	19.7	30.3
Revenue growth	%	(35.0)	1.7
Profit before taxation	£ m	1.3	6.8
Profit for the financial year	£ m	1.1	5.6

The Company experienced disruption in FY21 H1 due to COVID-19 with cancellations of trials and deployments due to travel restrictions around the world. This disruption led to some production and support staff being placed on furlough and the amounts received from the government were subsequently repaid. The business saw a good level of recovery in the second half of FY21 with customers resuming trials and exercises and the business won some significant orders. Positive progress continued in the first half of FY22 with increased target deliveries and contracted sales scheduled for the second half.

Principal risks and uncertainties
The key risks and uncertainties impacting on the Company relate to the following:

Execution of UK growth strategy

Risk

UK Government budget constraints lead to reduced spending in core markets in which we operate. This and the ever increasing pace required to introduce new technology to respond to emerging threats results in a risk that our approaches/offerings for evaluating capability may not remain relevant.

Mitigation

Our strategy includes ongoing proactive engagement with our major customers to enable us to support their objectives through mission-led innovation. Our focused investment into contracts enhances our offerings that support our customers with their efficiency challenges as well as ensuring that we provide the right services as the threat environment continues to evolve.

Principal risks and uncertainties (continued)

Innovation strategy

Risk

Failure to innovate to enable the realisation of new ideas for our customers and our organisation in the face of market and environmental changes such as rapidly evolving customer needs, technological change and increased competition. Specifically failure to:

- create a culture of innovation;
- develop relevant business models, processes and products/services; and
- attract and retain the right talent.

Mitigation

Initiatives to ensure innovation and the necessary underlying culture is embedded across the Company, including:

- Investment in innovative approaches and tools, for example the use of digital platforms to provide enhanced collaboration environments for our staff and customers, and virtual environments to demonstrate our capabilities;
- Diversity and Inclusion programme to drive and foster diverse thinking;
- Commercial innovation, including agile approaches to contracting; and
- Ensure we identify, attract and retain the right people now and for the future.

Significant breach of relevant laws and regulations

Risk

We operate in highly regulated environments across many jurisdictions. Non-compliance to existing and new requirements presents risks to people, property and the environment as well as having the potential to compromise our ability to conduct business in certain markets, potentially having an impact on a variety of stakeholders. The consequences of the COVID-19 pandemic, including increased hybrid working and reduced numbers on-site, has the potential to exacerbate the risk of a safety or regulatory non-compliance.

Mitigation

Maintaining and strengthening a proactive safety and regulatory compliance culture across the Company is a key part in minimising the risk of a failure.

QinetiQ Group Operating Model clearly defines lines of responsibility through the organisation. In addition we have robust policy, procedures and mandatory training in place. The QinetiQ Code of Conduct sets out clear expectations for the Company and its employees. In some areas, such as bribery and corruption, the Company adopts a zero tolerance approach.

We drive continuous improvement using a range of approaches such as audit and evaluation, focused training, strategic improvement programmes, and business objectives.

Principal risks and uncertainties (continued)

Security and IT systems

Risk

A breach of physical or data security, cyber attacks or IT systems failure leading to loss of customer or company information could have an adverse impact on our reputation, customer confidence and operational delivery. The consequences of the COVID-19 pandemic, including increased hybrid working, has the potential to exacerbate the data and cyber security risks.

Mitigation

The Company employs a holistic security threat approach through four interlocking pillars: Physical, Information, Cyber and Personnel Security. Our changing and increasingly sophisticated threat environment is continuously reviewed, using appropriate tools and techniques, as part of our over-arching Security Strategy such that new and emerging threats are removed or mitigated, ensuring our strategy appropriately balances the security, cost and flexibility required for any given solution.

- A Group Cyber Security Standard;
- Targeted Cyber Security Training for key IT employees;
- Deployment and continual upgrade of cyber security detection and protective technologies;
- Annual strategic security reviews;
- Continuous Group-wide communications to employees;
- Annual group-wide Security Culture survey;
- Mandatory security awareness training for all employees and contractors; and
- Regular updates to the Group Risk & Security Committee.

Our on-going digital transformation and IT improvement programme continues to deliver improved IT robustness through a range of approaches including renewing IT systems and moving to cloud based solutions.

Approved by the Board on 23 November 2021 and signed on its behalf by:

J Messent

Jon Messent
Company Secretary
Cody Technology Park
Ively Road
Farnborough
Hampshire
GU14 0LX

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

QinetiQ Target Systems Limited ('the Company') is a private company limited by shares and is incorporated, registered and domiciled in the United Kingdom and its registered number is 01877695. The address of the registered office is Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX. The Company is a wholly owned subsidiary of QinetiQ Group plc.

Directors of the company
The Directors who held office during the year and up to the date of signing the financial statements were:

John Clark

Andy Thorp (appointed 1 April 2020)

Richard Ackerman (appointed 26 November 2020)

Iain Farley (resigned 1 April 2020)

Peter Longstaff (resigned 20 November 2020)

Research and development
The Company incurred £3.9m (2020: £3.3m) research and development costs in the year. The Company capitalised some of these research and development costs as set out in Note 8 to the financial statements.

Financial risk management
The Company is exposed to a variety of financial risks as a result of its operations that include the effects of changes in foreign exchange risk, credit risk and liquidity risk.

Foreign exchange risk
The majority of the Company's income and expenditure is settled in sterling. The Company's policy is to use financial instruments to hedge all material transaction exposure at the point of commitment to the underlying transaction. The Company does not typically hedge uncommitted future transactions, although transaction risks are fully considered and appropriately mitigated when bidding for new work.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. To mitigate this risk the Company performs credit checks as appropriate and only contracts with customers who meet certain creditworthiness requirements.

Liquidity risk
The Company maintains sufficient cash or short term financing facilities to ensure it has available funds for its operations.

The Directors will revisit the appropriateness of this approach to risk management should the Company's operations change in size or nature.

Dividends
The Company paid no interim dividends during the year (2020: £7.3m) to its parent undertaking QinetiQ Holdings Limited.

The Directors have not recommended the payment of a final dividend in respect of the year ended 31 March 2021 (2020: £nil).

Donations
The Company made no political contributions or charitable donations during the year (2020: £nil).

Employees
The Company is committed to the fair treatment of people with disabilities in relation to applications, training, promotion and career development. If an existing employee becomes disabled, we make every effort to enable them to continue their employment and career development, and to arrange appropriate training, wherever practicable.

Future developments
The Company expects to continue operating with its principal activity as outlined in the Strategic report for the foreseeable future.

The Directors are comfortable that the Company has the right strategy in place to drive future growth with further enhancement planned on its product range. In light of the COVID-19 pandemic the Company has reviewed the financial and operational plan for FY22 and put various actions in place to minimise the impact on business performance.

Independent auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Statement of directors' responsibilities in respect of the financial statements

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 23 November 2021 and signed on its behalf by:

J Messent

Jon Messent
Company Secretary
Cody Technology Park
Ively Road
Farnborough
Hampshire
GU14 0LX

Independent auditors' report to the members of QinetiQ Target Systems Limited

Report on the audit of the financial statements

Opinion

In our opinion, QinetiQ Target Systems Limited's 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2021; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

Independent auditors' report to the members of QinetiQ Target Systems Limited (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit. or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report to the members of QinetiQ Target Systems Limited (continued)

Responsibilities for the financial statements and the audit (continued)

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant tax legislation, the Health and Safety Executive and anti-bribery and corruption legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profit and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management at multiple levels across the Company and wider group, including the Group's Internal Audit function and legal counsel throughout the year, as well as at year end. These discussions have included consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls;
- Understanding and evaluating changes in processes and controls as a result of the COVID-19 pandemic;
- Assessment of matters reported on the Group's whistleblowing hotline and the results of management's investigation of such matters;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Incorporating elements of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Independent auditors' report to the members of QinetiQ Target Systems Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

K. Godfrey

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Kevin Godfrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Southampton

Date: 25 November 2021

QinetiQ Target Systems Limited
Statement of comprehensive income for the year ended 31 March

	Note	2021 £ 000	2020 £ 000
Revenue	3	19,650	30,294
Cost of sales		(12,637)	(18,281)
Gross profit		7,013	12,013
Distribution costs		(979)	(1,558)
Administrative expenses		(4,675)	(3,572)
Operating profit	4	1,359	6,883
Finance expenses - net	5	(71)	(80)
Profit before taxation		1,288	6,803
Tax expense on profit	7	(193)	(1,233)
Profit and total comprehensive income for the year		**1,095**	**5,570**

There is no other comprehensive income for the year.

All amounts derive from continuing operations.

QinetiQ Target Systems Limited
Balance sheet as at 31 March 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	8	4,485	3,181
Property, plant and equipment	9	3,185	3,954
		7,670	**7,135**
Current assets			
Inventories	10	11,237	12,553
Trade and other receivables	11	13,074	8,438
Deferred tax assets	12	37	-
		24,348	**20,991**
Current liabilities			
Creditors: amounts falling due within one year	13	(9,758)	(7,396)
Provisions	15	(139)	(138)
Deferred tax liabilities	12	(851)	(621)
		(10,748)	**(8,155)**
Net current assets		**13,600**	**12,836**
Total assets less current liabilities		**21,270**	**19,971**
Non-current liabilities			
Creditors: amounts falling due after more than one year	14	(1,502)	(1,743)
Provisions	15	(364)	(169)
Net assets		**19,404**	**18,059**
Capital and reserves			
Called up share capital	16	5	5
Retained earnings		19,399	18,054
Total shareholders' funds		**19,404**	**18,059**

The financial statements of QinetiQ Target Systems Limited (company number 01877695) on pages 12 to 32 were approved by the Board on 23 November 2021 and signed on its behalf by:

....

John Clark
Director

The notes on pages 15 to 32 form an integral part of these financial statements.

QinetiQ Target Systems Limited
Statement of changes in equity for the year ended 31 March 2021

	Share capital £ 000	Retained earnings £ 000	Total shareholders' funds £ 000
At 1 April 2018 - previously reported	5	19,933	19,938
Restatement in respect of IFRS 16	-	(171)	(171)
At 1 April 2019 restated	5	19,762	19,767
Profit and total comprehensive income for the year	-	5,570	5,570
Dividends	-	(7,300)	(7,300)
Share based payments - capital contribution	-	22	22
At 31 March 2020	**5**	**18,054**	**18,059**

	Share capital £ 000	Retained earnings £ 000	Total shareholders' funds £ 000
At 1 April 2020	5	18,054	18,059
Profit and total comprehensive income for the year	-	1,095	1,095
Share settled liabilities	-	187	187
Share based payments - capital contribution	-	63	63
At 31 March 2021	**5**	**19,399**	**19,404**

The notes on pages 15 to 32 form an integral part of these financial statements.

QinetiQ Target Systems Limited
Notes to the financial statements

1 Basis of preparation and accounting policies

The following accounting policies have been applied consistently to all periods presented in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The financial statements have been prepared on the historical cost convention, as modified by financial assets and liabilities held at fair value through profit and loss and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS101.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- disclosures in respect of share based payment;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of providing an explanation of the significant changes in the contract asset and the contract liability balances;
- disclosures in respect of the reconciliation of the opening carrying amount for property, plant and equipment;
- disclosures in respect of the reconciliation of the opening carrying amount for intangible assets;
- IAS 24 in respect of related party transactions entered into between two or more members of a group; and
- the effects of new but not yet effective IFRSs.

Going concern
The Company meets its day-to-day working capital requirements through its available cash funds and its bank facilities. The COVID-19 crisis has introduced considerably more uncertainty across markets globally. As such the market conditions in which the Company operates are expected to be challenging as spending from the Company's key customers comes under pressure. Despite these challenges, and considering the decisive action already taken by management to maintain the strength of our business, the Directors believe that the Company is well positioned to manage its overall business risk successfully.

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate for the following reasons; the Company's parent, QinetiQ Group Holdings Limited, 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 should 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.

1 Basis of preparation and accounting policies (continued)

Revenue from contracts with customers

Revenue 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 revenue when it transfers control of a product or service to a customer. The Company's revenue contracts are accounted for under IFRS 15 'Revenue from Contracts with Customers' taking into account the existence of multiple performance obligations and accounts for these separately. The Company's methodology applies the revenue requirements on a contract-by-contract basis which includes considerations for contract modifications, variable consideration and the determination of distinct performance obligations.

Service contracts

Service contracts are transferred to the customer over a period of time as the Company fulfils its performance obligation. At contract inception the Company undertakes an assessment to determine how many distinct performance obligations exists within a contract. As part of the assessment the Company obtains an understanding of the overall deliverable to the customer through discussions with business units and project leads. Each individual deliverable in the contract is then assessed to determine if it is an input into the overall deliverable, and therefore part of a single performance obligation, or if it is a stand-alone separable deliverable with its own transaction price and therefore a distinct performance obligation in its own right. Each distinct performance obligation identified within a contract is accounted for separately.

The transaction price is allocated between each distinct performance obligation identified in a contract based on the stand-alone selling price of each performance obligation. Each performance obligation will be costed and the transaction price will be cost plus margin. This amount would be the stand-alone selling price of each performance obligation if contracted with a customer separately.

When the outcome of a distinct performance obligation in delivering services can be reliably estimated, revenue associated with the performance obligation is recognised over time using the input method. The input method recognises revenue over time on the basis of costs incurred to date to the satisfaction of a performance obligation relative to the total forecast costs to complete the performance obligation. The Company has determined the input method to be appropriate as it best depicts the Company's performance in transferring control of the service to the customer as it incurs costs on a particular contract.

Goods sold

The Company recognises revenue on the sale of products at a point in time once control has been transferred to the customer. Control is generally transferred to customers on delivery of products or when the customer has the significant risks and rewards of ownership of the product. Payment is typically due within 30 days of invoice and customers typically do not have a right of return or refund. The transaction price for sale of products is agreed at contract inception. When the Company develops a bespoke product for a customer with no alternative use to the Company, revenue is recognised over time using the input method.

Contract assets

Contract assets is a term used in adopting IFRS 15 and effectively represents amounts recoverable under contracts as previously reported. Contract assets represent revenue recognised in excess of amounts invoiced.

1 Basis of preparation and accounting policies (continued)

Contract liabilities
Contract liabilities is a term used in adopting IFRS 15 and effectively represents deferred income as previously reported. The Company, on occasion, bills customers in advance of performing certain types of work which results in the Company recognising contract liabilities. Once the work has been performed these amounts will be reduced and recognised as revenue. For sale of goods, revenue is recognised in the Statement of comprehensive income when control of the goods has been transferred to the customer; being at the point when the goods are delivered. Any transaction price received by the Company prior to that point is recognised as a contract liability.

Taxation
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at period-end rates. Any resulting exchange differences are taken to the Statement of comprehensive income. Gains and losses on designated forward foreign exchange hedging contracts are matched against the foreign exchange movements on the underlying transaction.

Dividends
Dividends distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Directors and are shown as a movement in reserves.

1 Basis of preparation and accounting policies (continued)

Leases

Leases - as a lessee

The Company leases a property. Rental contracts are typically made for fixed periods of 10 years, but may have extension options described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date which the leases asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and
- makes adjustments specific to the leases, example, term, country, currency and security.

The Company is not exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1 Basis of preparation and accounting policies (continued)

Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company does not revalue its land and buildings that are presented within property, plant and equipment and has chosen to do the same for right-of-use buildings by the Company.

Payments associated with short-term leases of offices, equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise lease assets under £5,000.

Lease termination options

Termination options are not included in the property leases within the Company.

Judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to not be terminated.

For leases of offices and equipment, the following factors are normally the most relevant;

- if there are significant penalties to terminate, the Company is typically reasonably certain to not to terminate;
- if any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to not terminate; and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruptions required to replace the leased asset.

As at 31 March 2021, no (undiscounted) potential future cash outflows have been included in the lease liability for termination.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event of significant change in circumstance occurs, which affects the assessment, and that is within the control of the lessee. During the current financial year, the Company did not exercise any termination options.

1 Basis of preparation and accounting policies (continued)

Intangible assets

Research and development expenditure is expensed as incurred, with the exception of development expenditure on projects that are undertaken where the related expenditure is separately identifiable and management are satisfied as to the ultimate commercial viability of the project based on all relevant available information. In such cases, the expenditure is capitalised as development costs within intangible fixed assets and written off over the periods expected to benefit commencing with the launch of the project.

Intangible assets are amortised over their respective useful lives on a straight line basis as follows:

Development costs	1 - 4 years
Software	3 years

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. There have been no impairments to date.

Property, plant and equipment are depreciated on a straight-line basis over their useful economic lives to their estimated residual value as follows:

Plant and equipment	2 - 10 years
Motor vehicles	3 - 5 years
Leasehold property	Shorter of useful economic life and the period of the lease

The useful lives, depreciation methods and residual values applied to property, plant and equipment are reviewed annually and, if appropriate, adjusted accordingly.

Impairment of fixed assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in the Statement of comprehensive income.

1 Basis of preparation and accounting policies (continued)

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost represents materials, direct labour and production overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Trade and other receivables
Trade and other receivables are stated net of provisions for doubtful debts. Contract assets are included in trade and other receivables and represent revenue recognised in excess of amounts invoiced.

Provisions
A provision is made for product warranty claims when the Company has a present legal or constructive obligation as a result of a past event which can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Company is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

Post-retirement benefits
For defined contributions plan, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share based payments
The Company operates share-based payment arrangements with employees. The fair value of equity-settled awards for share-based payments is determined on grant and expensed straight line over the period from grant to the date of earliest unconditional exercise. The charges for equity settled share-based payments are updated annually for non-market-based vesting conditions.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, when the instrument expires, or when the instrument is sold, terminated or exercised.

Financial assets
Financial assets are classified on the Company's balance sheet as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. This classification is made on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

1 Basis of preparation and accounting policies (continued)

Impairment of financial assets

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets are impaired. The Company applies IFRS 9 to measure expected credit losses.

Financial liabilities

Financial liabilities are classified on the Company's balance sheet as subsequently measured at amortised cost except for financial liabilities at fair value through profit and loss. The Company may at initial recognition irrevocably designate a financial liability as measured at fair value through profit and loss if a contract contains one or more embedded derivatives and the host is not an asset within the scope of IFRS 9, or when doing so results in more relevant information.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits that are readily convertible into cash. Bank overdrafts are shown within borrowings in current liabilities.

2 Critical accounting judgements and key sources of estimation uncertainty

The following commentary is intended to highlight those policies that are critical to the business based on the level of management judgement required in their application, their complexity and their potential impact on the results and financial position reported for the Company. The level of management judgement required includes assumptions and estimates about future events that are uncertain and the actual outcome of which may result in a materially different outcome from that anticipated.

Inventory provisioning

The Company is a manufacturer of target drones and associated training systems. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory as well as applying assumptions around associated saleability of finished goods and future usage of raw materials. Details on the net carrying amount of the inventory and associated provision are shown on note 10.

3 Revenue

The revenue and profit before taxation are attributable to the one principal activity of the Company.

An analysis of the Company's revenue by customer geographic location is as follows:

	UK £ 000	Rest of Europe £ 000	North America £ 000	Rest of World £ 000	Total £ 000
2021					
Revenue	1,197	6,588	2,662	9,203	19,650

	UK £ 000	Rest of Europe £ 000	North America £ 000	Rest of World £ 000	Total £ 000
2020					
Revenue	1,670	5,280	3,366	19,978	30,294

4 Operating profit

Arrived at after charging:

	2021 £ 000	2020 £ 000
Research and development costs	2,624	1,633
Fees payable to the Company's auditors for the audit of the Company's financial statements	32	40
Depreciation of property, plant and equipment - Owned (note 9)	810	560
Depreciation of property, plant and equipment - Leased (note 9)	241	241
Amortisation of intangible assets (note 8)	6	10
Loss on disposal of fixed assets	1	18
Raw materials and consumables used	4,313	10,891
Staff costs (note 6)	7,011	6,936
Restructuring costs	163	-

The amount paid to the Company's auditors for non-audit fees during the year was £nil (2020: £nil).

5 Finance income and expense

	2021 £ 000	2020 £ 000
Interest receivable	-	(1)
Lease interest payable	71	81
Finance expense - net	71	80

6 Particulars of employees

The average monthly number of employees (excluding directors) during the year, were:

	2021 No.	2020 No.
Selling and distribution	11	12
Administration	8	8
Production	118	122
	137	142

The aggregate payroll costs of these persons were as follows:

6 Particulars of employees (continued)

	2021 £ 000	2020 £ 000
Wages and salaries	5,723	5,737
Social security costs	546	537
Other pension costs	679	640
Share-based payments costs	63	22
Total employee costs	7,011	6,936

Directors' remuneration

	2021 £ 000	2020 £ 000
Emoluments	112	151
Pension costs	4	5
Total employee costs	116	156

The above Directors' remuneration represents the emoluments for the highest paid and only director remunerated by QinetiQ Target Systems Limited. The Directors' fees or emoluments for the remaining directors were paid by QinetiQ Limited and the amount attributable to the qualifying services by the Directors to the Company are incidental to their wider role in the Group and cannot be reliably estimated.

7 Tax on profit

(a) Analysis of tax charge in the year

	2021 £ 000	2020 £ 000
Current tax		
Current UK tax (credit)/charge	(64)	610
Current UK tax in respect of prior years	-	74
Foreign tax	65	98
Total current tax	1	782
Deferred tax		
Deferred tax expense	193	450
Deferred tax in respect of prior years	(1)	1
Total deferred tax	192	451
Total tax charge for the year	193	1,233

7 Tax on profit (continued)

(b) Tax charge reconciliation

	2021 £ 000	2020 £ 000
Profit before tax	1,288	6,803
Tax calculated at UK standard rate of corporation tax of 19% (2020: 19%)	245	1,293
Effects of:		
Expenses not deductible for tax purposes and other non-taxable items	66	35
Research and development expenditure credits/relief	(121)	(134)
Adjustment in respect of prior periods	(1)	75
Effect of adoption of IFRS 16	-	(7)
Other timing differences	4	(29)
Total tax charge for the year	193	1,233

The effective tax rate continues to be below the UK statutory rate of 19% (2020: 19%) primarily as a result of the benefit of research and development expenditure credits.

(c) Factors affecting future tax charges

The effective tax rate is expected to remain below the UK statutory rate in the medium term, subject to the impact of any tax legislation changes and the assumption that the benefits of net research and development expenditure credits retained by the Company remain in the tax line. Future recognition of deferred tax assets will also affect future tax charges.

In the Spring Budget 2021 the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £249,000 and to increase the deferred tax liability by £249,000.

8 Intangible assets

	Software £ 000	Development costs £ 000	Total £ 000
Cost			
At 1 April 2020	118	3,610	3,728
Additions	13	1,297	1,310
At 31 March 2021	131	4,907	5,038
Accumulated amortisation			
At 1 April 2020	117	430	547
Amortisation charge for year	6	-	6
At 31 March 2021	123	430	553
Net book value			
At 31 March 2021	8	4,477	4,485
At 31 March 2020	1	3,180	3,181

9 Property, plant and equipment

	Plant, equipment and vehicles £ 000	Leasehold property £ 000	Right of use assets - Buildings £ 000	Total £ 000
Cost				
At 1 April 2020	4,936	2,420	2,437	9,793
Additions	110	173	-	283
Disposals	(739)	(56)	-	(795)
At 31 March 2021	4,307	2,537	2,437	9,281
Accumulated depreciation				
At 1 April 2020	3,163	1,954	722	5,839
Charge for the year	503	307	241	1,051
Disposals	(738)	(56)	-	(794)
At 31 March 2021	2,928	2,205	963	6,096
Net book value				
At 31 March 2021	1,379	332	1,474	3,185
At 31 March 2020	1,773	466	1,715	3,954

10 Inventories

	2021 £ 000	2020 £ 000
Raw materials	4,585	4,460
Work in progress	1,509	1,790
Finished goods	5,143	6,303
	11,237	12,553

Inventories are stated after provisions for impairment of £3.9m (2020: £3.5m).

11 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	10,933	7,398
Amounts owed by fellow subsidiary undertakings	805	397
Other receivables	915	364
Prepayments and contract assets	421	279
	13,074	8,438

12 Deferred tax

Deferred tax asset	Fixed assets £ 000	Total £ 000
At 1 April 2020	-	-
Credited to the Statement of comprehensive income	54	54
Transferred from deferred tax liability	(17)	(17)
Deferred tax asset at 31 March 2021	37	37

	Fixed assets £ 000	Total £ 000
At 1 April 2019	121	121
Charged to the Statement of comprehensive income	(138)	(138)
Transferred to deferred tax liability	17	17
Deferred tax asset at 31 March 2020	-	-

Deferred tax liability

	Short term timing differences £ 000	Fixed assets £ 000	Total £ 000
At 1 April 2020	604	17	621
Charged to the Statement of comprehensive income	247	-	247
Transferred to deferred tax asset	-	(17)	(17)
Deferred tax liabilities at 31 March 2021	851	-	851

	Short term timing differences £ 000	Fixed assets £ 000	Total £ 000
At 1 April 2019	291	-	291
Charged to the Statement of comprehensive income	313	-	313
Transferred from deferred tax asset	-	17	17
Deferred tax liabilities at 31 March 2020	604	17	621

13 Creditors: amounts falling due within one year

	2021 £ 000	2020 £ 000
Trade creditors	1,989	2,987
Amounts owed to fellow subsidiary undertakings	280	528
Bank overdraft	4,790	2,428
Accruals and contract liabilities	1,384	893
Other taxes and social security	1,053	284
Other creditors	18	41
Lease liabilities	244	235
	9,758	7,396

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand. The bank overdraft is unsecured and interest free as it is part of QinetiQ Group banking arrangement which allows the Group members to utilises the bank facilities.

14 Creditors: amounts falling due after more than one year

	2021 £ 000	2020 £ 000
Lease liabilities	1,502	1,743

15 Provisions

	2021 £ 000
At 1 April 2020	307
Created in the year	196
At 31 March 2021	503

	2020 £ 000
At 1 April 2019	320
Created in the year	24
Utilised in the year	(37)
At 31 March 2020	307

	2021 £ 000	2020 £ 000
Current liabilities	139	138
Non current liabilities	364	169
	503	307

15 Provisions (continued)

The provisions relate to warranty (2021: £139,000, 2020: £138,000) and dilapidations (2021: £364,000, 2020: £169,000), the timing of which are determined by a variety of factors.

16 Called up share capital

Allotted, called up and fully paid shares

	No.	2021 £ 000	No.	2020 £ 000
Ordinary shares of £1 each	5,000	5	5,000	5

17 Related party transactions

During the year, the Company sold £nil (2020: £0.4m) of services to Houbara Defence & Security L.L.C. Houbara Defence & Security L.L.C is a 49% owned Joint Venture of QinetiQ Overseas Holdings Ltd, a fellow subsidiary undertaking in the Group. At the year-end, £nil (2020: £0.3m) was outstanding and included within trade receivables. The receivable is unsecured and no guarantees have been received.

During the year, the Company purchased £1.2m (2020: £1.7m) of services from Houbara Defence & Security L.L.C. At the year-end, £0.7m (2020: £0.9m) was outstanding and included within Creditors: amounts falling due within one year (note 13).

18 Retirement benefit schemes

For defined contributions plan, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis, which amounted to £679,000 for the year (2020: £640,000). The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

19 Leases

Company as a lessee

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021 £ 000	2020 £ 000
Right of use assets (included within Property, Plant & Equipment - see note 9)		
Right of use assets - Buildings	1,474	1,715

19 Leases (continued)

	2021 £ 000	2020 £ 000
Lease liabilities (included within Creditors - see note 13 and 14)		
Current	244	235
Non-current	1,502	1,743
	1,746	1,978

Amounts recognised in the Statement of comprehensive income

The Statement of comprehensive income shows the following amounts relating to leases:

	2021 £ 000	2020 £ 000
Total depreciation charge on right of use asset - buildings (see note 9)	241	241
Lease interest payable (included in finance expense - see note 5)	71	81
Total expense charged to profit before taxation	**312**	**322**

Minimum lease payment commitments

The Company has the following total future minimum lease payment commitments:

	2021 £ 000	2020 £ 000
Within one year	306	306
Between two to five years	1,224	1,224
Greater than five years	344	650
	1,874	2,180

20 Contingent liabilities

The Company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company has issued a cross guarantee to support these group facilities. The bank facilities are structured in such a way that gross aggregate borrowing is limited to £30,000,000, which effectively caps the liability under the guarantee to that amount.

The Company has provided bank guarantees issued in the course of ordinary trade to the value of £nil (2020: £nil).

21 Share-based payments

The Company operates a number of share-based payment plans for employees. The total share-based payments expense in the year was £63,000 (2020: £22,000), of which £63,000 (2020: £22,000) related to equity-settled schemes and £nil related to cash-settled schemes (2020: £nil) The expense for share-settled schemes was charged to the Company by the ultimate parent company QinetiQ Group plc, in respect of share options over its shares. Set out below are details of the share-based payments arrangement that was utilised during the year. In all cases they relate to the shares of QinetiQ Group plc, the ultimate parent company.

21 Share-based payments (continued)

Early in the financial year QinetiQ's top 200 leaders are provisionally awarded contingent shares in the ultimate parent company, QinetiQ Group Plc. The number of awards is dependent on the Group's performance during the year (specifically with respect to the level of non-UK revenue growth). This is provisionally quantified at year end based on Group performance and also the number of eligible employees as at 31 March. Actual awards are made in the following June and the final number awarded will be slightly different to the number provisionally calculated. Awards are then subject to a three-year vesting period and a further two-year holding period. Vesting of the awards is contingent upon Group operating profit in the year prior to vesting being maintained at the level reported during the year prior to award.

At 31 March 2021 the awards had an average remaining life of 1.8 years (2020: 1.7 years). There is no exercise price for these awards. No DSP's were awarded for the year ended 31 March 2021. The fair value of the DSP's awarded during the year (in respect of prior year performance) was £3.22 being the Group's 30 day average on 31 March. The weighted average share price at date of exercise was £3.09 (2020: nil). Of the awards outstanding at the end of the year nil were exercisable.

22 Parent undertaking and control

The ultimate parent undertaking and controlling party is QinetiQ Group plc, a company registered in England and Wales. The immediate parent undertaking is QinetiQ Holdings Limited, a company registered in England and Wales. QinetiQ Group plc and QinetiQ Holdings Limited have financial year ends of 31 March. QinetiQ Group plc is the parent undertaking of the smallest and largest group of undertakings to consolidate the Company's results at 31 March 2021. QinetiQ Group plc is the only company in the Group which prepares consolidated financial statements. Copies of the consolidated financial statements of QinetiQ Group plc are available from the Company Secretary, QinetiQ Group plc, Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX.