

QinetiQ Holdings Limited

(Registered Number 04154556)

Directors' report and
financial statements
for the year ended 31 March 2011

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QinetiQ Holdings Limited

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2011

Principal Activity

The Company's principal activity is to act as a holding company

Business Review

The loss on ordinary activities before taxation was £4.5m (2010: loss of £9.7m)

Research and development

The Company had no research and development activity in the year (2010: £nil)

Dividends

The Company paid dividends of £nil (2010: £65.0m) to its parent undertaking, and received £nil (2010: £5.2m) from subsidiary undertakings during the year

Directors

The Directors who held office during the year were as follows

Lynton Boardman	(resigned 14/01/2011)
Christopher Ling	(appointed 21/09/2010, resigned 01/02/2011)
David Mellors	
Jon Messent	(appointed 14/01/2011)
Stephen Webster	(appointed 30/09/2010)

Political and charitable contributions

The Company made no political contributions during the year or in the prior year. Donations to UK charities amounted to £nil (2010: £nil)

Employees

The average number of people employed by the company during the year was 7 (2010: 3)

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that as far as they are aware there is no relevant audit information of which the company's auditors are unaware, and they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to reappoint KPMG Audit Plc will be proposed at the forthcoming Annual General Meeting

By order of the Board



Jon Messent
Company Secretary
Cody Technology Park
Ively Road, Farnborough
Hampshire, GU14 0LX
27 July 2011

QinetiQ Holdings Limited

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of QinetiQ Holdings Limited

We have audited the financial statements of QinetiQ Holdings Limited for the year ended 31 March 2011 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Mike Maloney (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

27 July 2011

QinetiQ Holdings Limited

Profit & loss account

For the year ended 31 March

	Notes	2011 £m	2010 £m
Operating expenses	3	(2.9)	(13.5)
Operating loss	3	(2.9)	(13.5)
Income from shares in group undertakings	4	-	5.2
Net finance charges	5	(1.6)	(1.4)
Loss on ordinary activities before taxation		(4.5)	(9.7)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year		(4.5)	(9.7)

No note of historical cost profits has been prepared as the historical cost profits and losses are not materially different to those detailed in the above profit and loss account

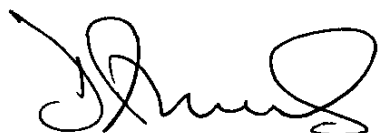
All amounts derive from continuing operations

QinetiQ Holdings Limited

Balance Sheet As at 31 March

	Notes	2011 £m	2010 £m
Fixed assets			
Investment in subsidiary undertakings	7	219.6	222.1
Other investments	7	-	-
		219.6	222.1
Current assets			
Debtors	8	247.9	242.9
Current asset investments	9	0.6	0.6
Cash at bank and in hand		0.1	0.1
		248.6	243.6
Creditors amounts falling due within one year	10	(336.0)	(329.0)
Net current liabilities		(87.4)	(85.4)
Net assets		132.2	136.7
Capital and reserves			
Called-up share capital	11	0.1	0.1
Profit and loss account	12	132.1	136.6
Shareholders' funds		132.2	136.7

The financial statements of QinetiQ Holdings Limited (company number 04154556) were approved by the Board of Directors on 27 July 2011 and signed on its behalf by



David Mellors
Director

QinetiQ Holdings Limited

Statement of total recognised gains and losses For the year ended 31 March

	Notes	2011 £m	2010 £m
Loss for the financial year		(4.5)	(9.7)
Fair value gain on current asset investment	9	-	0.5
Dividends paid	4	-	(65.0)
Total recognised loss for the year		(4.5)	(74.2)

Reconciliation of movements in equity shareholders' funds For the year ended 31 March

	2011 £m	2010 £m
Loss for the financial year	(4.5)	(9.7)
Other recognised gains and losses (net)	-	(64.5)
	(4.5)	(74.2)
Opening shareholders' funds	136.7	210.9
Closing shareholders' funds	132.2	136.7

QinetiQ Holdings Limited

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention rules, with the exception of current asset investments

The Company has taken the exemption under s 400 of the Companies Act 2006 from the requirement to prepare group financial statements and the exemption on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements. Accordingly these financial statements present information about the Company as an individual undertaking and not as a group

Going concern

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate for the following reasons, whilst the company has net current liabilities, the company's parent QinetiQ Group 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 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

Related party disclosures

As the Company is a wholly owned subsidiary of QinetiQ Group plc the company has taken advantage of the exemption contained in FRS 8 and not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of QinetiQ Group plc, within which this company is included, can be obtained from the address given in note 14

Investments

Fixed asset investments are stated at cost less any impairment in value. Current asset investments are held at fair value

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation charge is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is provided, without discounting, in respect of all timing differences that have arisen but not reversed by the balance sheet date. Deferred tax assets are only provided to the extent that they are regarded as recoverable

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction and gains and losses on translation are included in the profit and loss account. If designated forward foreign exchange hedging contracts have been entered into, gains and losses are matched against the foreign exchange movements on the underlying transaction

QinetiQ Holdings Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2. Directors and employees

None of the Directors received any emoluments from the Company for their services during the year (2010: £nil). The average number of persons employed by the Company during the year was 7 (2010: 3). The following costs were borne by another Group company, QinetiQ Ltd, which was receiving the benefit of the services provided by these employees:

	2011	2010
	£m	£m
Wages and salaries	0.7	0.3
Restructuring costs	0.2	-
Other pension costs	0.1	0.1
Total employee costs	1.0	0.4

3. Operating loss

The auditors' remuneration is borne by another Group subsidiary, QinetiQ Ltd, and recharged to the Company as part of a management fee. The amount included in the management fee for audit fees amounted to £15,000 (2010: £15,000).

The operating loss is stated after charging £2.5m (2010: £7.7m) in relation to the impairment of investment in subsidiary undertakings and £nil (2010: £4.7m) in relation to the impairment of other investment.

4. Dividends

The Company received a dividend of £nil (2010: £5.2m) from a subsidiary undertaking. The Company paid a £nil (2010: £65.0m) dividend to its parent undertaking.

5. Net finance charges

	2011	2010
	£m	£m
Interest payable and similar charges	(6.0)	(5.8)
Interest receivable and similar income	4.4	4.4
	(1.6)	(1.4)

6. Taxation

(a) Analysis of charge in the year

	2011	2010
	£m	£m
Taxation on loss on ordinary activities	-	-

QinetiQ Holdings Limited

Notes to the financial statements (continued)

6. Taxation (continued)

(b) Factors affecting the tax charge in the period

The principal factors reducing the Company's current year tax charge below the UK statutory rate are explained below

	2011 £m	2010 £m
Loss before tax	(4.5)	(9.7)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2010: 28%)	(1.3)	(2.7)
Effect of		
Expenses not deductible for tax purposes	1.2	2.4
Group relief surrendered for nil consideration	0.1	0.3
Current tax charge for the period	-	-

(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 any future tax legislation changes

7. Investments in subsidiaries and other investments

Investment in subsidiary undertakings

	2011 £m	2010 £m
At 1 April	222.1	230.3
Adjustment	-	(0.5)
Impairment	(2.5)	(7.7)
At 31 March	219.6	222.1

The adjustment in the prior year relates to a £0.5m repayment of share capital from a subsidiary company. The impairment relates to Boldon James Holdings Limited, which was impaired by £2.5m (2010: £7.7m) to reflect its current value.

Other investments

	2011 £m	2010 £m
At 1 April	-	4.7
Impairment in year	-	(4.7)
At 31 March	-	-

QinetiQ Holdings Limited

Notes to the financial statements (continued)

7. Investments (continued)

Name of subsidiary	Country of incorporation	Proportion of voting rights	Nature of business
Boldon James Holdings Limited	England & Wales	100.0%	Holding company
cueSim Limited	England & Wales	100.0%	Simulation products and services
Matrix UK Limited	England & Wales	100.0%	Dormant
Optasense Limited	England & Wales	100.0%	Dormant
Precis (2188) Limited ^(a)	England & Wales	75.0%	Property holding company
QinetiQ Commerce Decisions Limited	England & Wales	100.0%	Software consultancy and supply
QinetiQ Defence Training Limited	England & Wales	100.0%	Dormant
QinetiQ Insurance PCC Limited	Guernsey	100.0%	Insurance
QinetiQ Investments Limited	England & Wales	100.0%	Property holding company
QinetiQ Limited	England & Wales	100.0%	Scientific and technology solutions and services
QinetiQ Overseas Holdings Limited	England & Wales	100.0%	Holding company
QinetiQ Overseas Trading Limited	England & Wales	100.0%	Defence consultancy and managed services
Trusted Experts Limited	England & Wales	100.0%	Dormant

^(a) An additional 25% held by QinetiQ Investments Limited

Name of other investment	Country of incorporation	Proportion of voting rights	Nature of business
Precis (2187) Limited ^(b)	England & Wales	25.0%	Property holding company
Cody Gate Ventures I LP	England & Wales	25.0%	Research and development

^(b) An additional 75% held by Precis (2188) Limited

8. Debtors

	2011 £m	2010 £m
Amounts owed by Group undertakings	247.9	242.9

9. Current asset investment

	2011 £m	2010 £m
Cost	0.6	0.1
Fair value gain on current asset investment	-	0.5
	0.6	0.6

At 31 March 2011 the Company held a 1.4% (2010: 1.4%) holding in pSivida Limited, a company incorporated in Australia and engaged in research and development activity. An additional 3.5% of this company is held by QinetiQ Limited. The company's carrying value of this investment increased by £nil during the year (2010: £0.5m) to reflect its current market value at 31 March 2011. The prior year fair value gain was recognised in the statement of total recognised gains and losses.

QinetiQ Holdings Limited

Notes to the financial statements (continued)

10. Creditors: amounts falling due within one year

	2011 £m	2010 £m
Amount owed to Group undertakings	9.5	8.3
Amount owed to ultimate parent undertaking	326.0	320.1
Accruals and deferred income	0.5	0.6
	336.0	329.0

11. Share capital

	Ordinary shares	Special share
Allotted, called-up and fully paid:	Number	Number
At 31 March 2011 and 31 March 2010	50,100	1
	Ordinary shares	Special share
	£	£
Nominal value of shares allotted at 31 March 2011 and 2010	50,100	1

Special share - The nature of the work performed by the Company is of strategic interest to the defence of the United Kingdom. As a result HM Government, acting through the MOD, retains ownership of the Special Share. The Special Share gives certain rights to the holder:

- a) to require the Company to implement and maintain the Compliance System (as defined in the Articles of Association) so as to make at all times effective the Company's application of the Compliance Principles, in a manner acceptable to the Special Shareholder.
- b) to refer matters to the Board or the Compliance Committee for its consideration in relation to the application of the Compliance Principles,
- c) to veto any contract, transaction, arrangement or activity which the Special Shareholder considers
 - i) may result in circumstances which constitute unacceptable ownership, influence or control over the Company contrary to the defence or security interests of the United Kingdom, or
 - ii) would not, or does not, ensure the effective application of the Compliance Principles or would be or is otherwise contrary to the defence or security interests of the United Kingdom,
- d) to require the Board to take any action (including but not limited to amending the Compliance Principles), or rectify any omission in the application of the Compliance Principles, if the Special Shareholder is of the opinion that such steps are necessary to protect the defence or security interest of the United Kingdom,
- e) to demand a poll at any of the Company's meetings (even though it has no voting rights except those given to it as a Special Shareholder)

The Special Shareholder has an option to purchase defined Strategic Assets of the company. The Special Shareholder has, inter alia, the right to purchase any Strategic Assets which the company wishes to sell. Strategic Assets are normally testing and research facilities.

QinetiQ Holdings Limited

Notes to the financial statements (continued)

11. Share capital (continued)

The Special Share may only be issued to, held by and transferred to H M Government (or as it directs). At any time the Special Shareholder may require the company to redeem the Special Share at par. If QinetiQ is wound up the Special Shareholder will be entitled to be repaid the capital paid up on the Special Share before other shareholders receive any payment. The Special Shareholder has no other right to shares in the capital or profits of QinetiQ.

The Special Shareholder must give consent to a general meeting held on short notice. The Special Share entitles the Special Shareholder to require certain persons who hold (together with any person acting in concert with them) a material interest in QinetiQ to dispose of some or all of their Ordinary Shares in certain prescribed circumstances on the grounds of national security or conflict of interest. The Directors must register any transfer of the Special Share within seven days.

12 Profit and loss account

	2011	2010
	£m	£m
At 1 April	136.6	210.8
Loss for the year	(4.5)	(9.7)
Fair value gain on current asset investment	-	0.5
Dividends paid	-	(65.0)
At 31 March	132.1	136.6

13 Contingent liabilities

QinetiQ Holdings Limited is the sponsoring company and a participating employer of the QinetiQ pension scheme, a mixed-benefit scheme consisting of Defined Benefit and Defined Contribution sections. The Defined Contribution section of the scheme was set up for all employees who were not eligible or did not wish to join the Defined Benefit section of the scheme. The majority of scheme members are employed by subsidiaries of QinetiQ Holdings Limited, and all costs and related pension net assets or liabilities are charged to and reported in these entities. As the sponsoring company, QinetiQ Holdings Limited, in event of default by the participating employers of the Defined Benefit Scheme, could be held liable for the pension liabilities of the other participating employers. The net liability at 31 March 2011, reported by QinetiQ Group Plc, is £124.6m (2010 £147.3m). No liability is recognised by QinetiQ Holdings Limited.

14 Parent undertaking

The immediate and ultimate parent undertaking is QinetiQ Group plc, a company registered in England and Wales. The Financial Statements of QinetiQ Holdings Limited are consolidated in the financial statements of QinetiQ Group plc. Copies of the consolidated financial statements of QinetiQ Group plc are available from the Secretary, QinetiQ Group plc, Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX.