

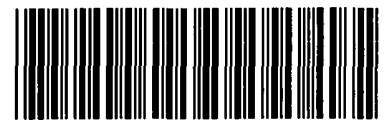
Registration number: 04157081

Commerce Decisions Limited

Annual report and financial statements

for the year ended 31 March 2017

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Commerce Decisions Limited

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Commerce Decisions Limited

Strategic report for the year ended 31 March 2017

The Directors present their strategic report for the year ended 31 March 2017.

Principal activities

The Company provides software consultancy and supply.

Business review

The profit before taxation was £1,671,000 (2016: £1,939,000).

The company's key financial and other performance indicators during the year were as follows:

	Unit	2017	2016
Revenue growth	%	5	1
Profit before tax	£'000	1,671	1,939
Profit after tax	£'000	1,363	1,648

Principal risks and uncertainties

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

- The Company's contract profile;
- Losing key capability and competencies through failure to recruit and retain employees; and
- Failure to comply with laws and regulations.

Approved by the Board on 1/12/17 and signed on its behalf by:



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

Commerce Decisions Limited

Directors report for the year ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Directors' of the company

The directors, who held office during the year, were as follows:

Kim Garrod

Richard Sawyer (appointed 11 October 2016)

Stephen Deaville (appointed 6 January 2017)

Steven Elwell (resigned 11 October 2016)

Wendy Wates (resigned 6 January 2017)

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2017 (2016: £nil).

After the balance sheet date, dividends of £3.5m (2016: £nil) were proposed by the directors to its parent company, QinetiQ Holdings Limited. The dividends have not been provided for as at 31 March 2017.

Research and development

The research and development expense for the year was £387,598 (2016: £270,538).

Political and charitable contributions

The Company made no political contributions or charitable donations during the year or in the prior year.

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.

Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

Commerce Decisions Limited
Directors report for the year ended 31 March 2017 (continued)

Auditor

Following the completion of the external audit tender process, KPMG LLP will not seek reappointment following the issue of its audit report on the financial statements for the year ended 31 March 2017. PricewaterhouseCoopers LLP have expressed their willingness to be reappointed as auditor of the Company by the Directors.

Approved by the Board on 1/12/17 and signed on its behalf by:



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

Commerce Decisions Limited

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

The Directors are responsible for preparing the strategic report, 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 the Directors have elected to prepare the financial statements in accordance with applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS101'). 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 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 Commerce Decisions Limited

We have audited the financial statements of Commerce Decisions Limited for the year ended 31 March 2017, set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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 Statement of Directors' responsibilities in respect of the strategic report, Directors' report and the financial statements (set out on page 4), 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 to the financial statements.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

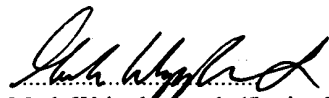
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Independent auditor's report to the members of Commerce Decisions Limited
(continued)**

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



Mark Wigglesworth (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Date: 4 DECEMBER 2017

Commerce Decisions Limited
Profit and loss account for the year ended 31 March

		2017	2016
	Note	£ 000	£ 000
Revenue	2	5,719	5,461
Cost of sales		<u>(120)</u>	<u>(132)</u>
Gross profit		5,599	5,329
Operating expenses		<u>(3,964)</u>	<u>(3,414)</u>
Operating profit	3	1,635	1,915
Finance income		<u>36</u>	<u>24</u>
Profit before taxation		1,671	1,939
Taxation	5	<u>(308)</u>	<u>(291)</u>
Profit for the year	13	<u>1,363</u>	<u>1,648</u>


All amounts derive from continuing operations.

There is no other comprehensive income.

Commerce Decisions Limited
Balance sheet as at 31 March

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Investments	6	-	-
Intangible assets	7	835	870
Property, plant and equipment	8	<u>30</u>	<u>37</u>
		865	907
Current assets			
Trade and other receivables (including £215,000 (2016: £82,000) due after more than one year)	9	9,145	7,343
Cash at bank and in hand		<u>2,234</u>	<u>1,391</u>
		11,379	8,734
Creditors: amounts falling due within one year	10	<u>(5,553)</u>	<u>(4,313)</u>
Net current assets		5,826	4,421
Net assets		6,691	5,328
Capital and reserves			
Called up share capital	12	-	-
Share premium account		298	298
Profit and loss account	13	<u>6,393</u>	<u>5,030</u>
Shareholders' funds	14	6,691	5,328

The financial statements of Commerce Decisions Limited (company number 04157081) were approved by the Board on 11/12/17 and signed on its behalf by:



Kim Garrod
 Director

Commerce Decisions 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 were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('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;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

Going concern

After making enquiries, the Directors have reasonable expectations that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Revenue is stated net of value added and other sales taxes and represents the value of work performed for customers, measured on the following bases:

- revenue from fixed price contracts is recognised in proportion to the value of the work performed and includes attributable profit. Depending on the nature of the contract, revenue is recognised as contractually agreed-upon milestones are reached, as units are delivered or as the work progresses;
- revenue on cost plus and time and materials contracts is recognised as work is performed;
- limited licences are granted for a specified time period or geographic region or specific application and revenue is recognised on a straight line basis over the period of the licence. Perpetual licences are granted for unspecified applications, unlimited geographic regions or unlimited time frames and are recognised when the risks and rewards of ownership are transferred to the customer.

Profit on the supply of professional services on cost plus or time and materials contracts is recognised as the work is performed. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss revenue and related costs as contract activity progresses. Revenue is calculated by reference to the value of work performed to date as a proportion of the total contract value. Losses on completion are recognised in full as soon as they are reasonably foreseen.

Commerce Decisions Limited

Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

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.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising from the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Intangible assets

Internally generated intangible assets are recorded at cost, including labour, directly attributable overhead and any third party expenses. Purchased intangible assets are recognised at cost less amortisation. Intangible assets are amortised over their respective useful lives on a straight line basis as follows:

	Useful economic life or unit of production method subject to a minimum
Development costs	amortisation of no less than straight line method over economic life of 1 - 4 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Freehold land is not depreciated. Other tangible non-current assets are depreciated on a straight-line basis over their useful economic lives to their estimated residual value as follows:

Plant and machinery	3 - 10 years
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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 the carrying amount exceeds the recoverable amount, the respective asset is written down to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset calculated using an appropriate pre-tax discount rate. Impairment losses are expensed to the profit and loss account.

Amounts recoverable on contracts

Amounts recoverable on contracts are included in other receivables and represent revenue recognised in excess of amounts invoiced.

Commerce Decisions Limited
Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

Post-retirement benefits

Contributions to defined contributions plans are charged to the profit and loss account as incurred.

Leases

Rentals payable under operating leases are charged to the profit and loss account evenly over the term of the lease.

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

2 Revenue by customer geographical location

	UK £ 000	Canada £ 000	Rest of World £ 000	Total £ 000
2017				
Revenue	<u>5,347</u>	<u>364</u>	<u>8</u>	<u>5,719</u>
	UK £ 000	Canada £ 000	Rest of World £ 000	Total £ 000
2016				
Revenue	<u>5,210</u>	<u>183</u>	<u>68</u>	<u>5,461</u>

3 Operating profit

Arrived at after charging:

	2017 £ 000	2016 £ 000
Depreciation expense	26	19
Amortisation expense	423	273
Operating lease expense - property	<u>146</u>	<u>121</u>

The auditor's remuneration is borne by another Group subsidiary, QinetiQ Limited, and recharged to the Company as part of a management fee. The amount included in the management fee for audit fees amounted to £3,000 (2016: £3,000). There were no non-audit services provided by the Company's auditor during the year (2016: £nil). Research and development cost charged to profit and loss during the year amounted to £387,598 (2016: £270,538) which is equal to the capitalised development expenditure in the year.

Commerce Decisions Limited
Notes to the financial statements (continued)

4 Employee information

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017	2016
	£ 000	£ 000
Wages and salaries	2,256	2,050
Social security costs	242	216
Pension costs	132	126
	<u>2,630</u>	<u>2,392</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2017	2016
	No.	No.
Total employees	<u>40</u>	<u>40</u>

Directors' remuneration

The Directors' emoluments for the year totalled £60,270 (2016: £128,421). A total of two directors (2016: two) are members of a money purchase pension scheme. The highest paid director received £30,362 for services in the period (salary: £23,750, pension £1,425, other: £5,187) (2016: £128,421, salary: £59,000, pension £12,293, other £57,128).

The Directors' fees or emoluments for three director (2016: four directors) were paid by QinetiQ Limited and QinetiQ Holdings Limited and the amount attributable to the qualifying services by the director to the Company cannot be reliably estimated.

5 Income tax

(a) Analysis of tax charge in the year

	2017	2016
	£ 000	£ 000
Total current tax		
UK corporation tax	309	358
Amounts in respect of previous years	-	(67)
Total current tax	<u>309</u>	<u>291</u>
Deferred tax		
Arising from origination and reversal of temporary differences	(1)	-
Total deferred tax	<u>(1)</u>	<u>-</u>
Current tax charge for the year	<u>308</u>	<u>291</u>

Commerce Decisions Limited
Notes to the financial statements (continued)

5 Income tax (continued)

(b) Tax charge reconciliation

The total tax charge for the year is lower than the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are reconciled below:

	2017	2016
	£ 000	£ 000
Profit before tax	<u>1,671</u>	<u>1,939</u>
Tax calculated at UK standard rate of corporation tax of 20% (2016: 20%)	334	388
Expenses not deductible for tax purposes and other non-taxable items	8	9
Research and development expenditure credits/relief	(34)	(39)
Tax overprovided in previous years	<u>-</u>	<u>(67)</u>
Total tax charge for the year	<u>308</u>	<u>291</u>

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) had previously been substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

6 Investments in subsidiary undertakings

	2017	2016
	£	£
Cost		
At 1 April	<u>1</u>	<u>1</u>
At 31 March	<u>1</u>	<u>1</u>

Commerce Decisions Limited has investments in the following subsidiary undertakings.

Undertaking	Country of incorporation	Registered office
Commerce Decisions Pty Ltd	Australia	Level 33, 101 Collins Street, Melbourne, VIC 3000, Australia

Commerce Decisions Limited
Notes to the financial statements (continued)

7 Intangible assets

	Development costs and other intangible assets £ 000
Cost	
At 1 April 2016	2,593
Additions	<u>388</u>
At 31 March 2017	<u>2,981</u>
Amortisation	
At 1 April 2016	1,723
Amortisation charge	<u>423</u>
At 31 March 2017	<u>2,146</u>
Carrying amount	
At 31 March 2017	<u>835</u>
At 31 March 2016	<u>870</u>

The net book value of capitalised development costs included in intangible assets amounts to £834,886 (2016: £870,380).

8 Property, plant and equipment

	Plant and machinery £ 000
Cost	
At 1 April 2016	156
Additions	<u>19</u>
At 31 March 2017	<u>175</u>
Depreciation	
At 1 April 2016	119
Charge for the year	<u>26</u>
At 31 March 2017	<u>145</u>
Carrying amount	
At 31 March 2017	<u>30</u>
At 31 March 2016	<u>37</u>

Commerce Decisions Limited
Notes to the financial statements (continued)

9 Trade and other debtors

	2017	2016
	£ 000	£ 000
Trade receivables	2,892	1,514
Amounts owed by immediate parent undertaking	5,789	5,542
Amounts owed by fellow subsidiary undertakings	323	168
Other receivables	124	103
Deferred tax asset	17	16
	<u>9,145</u>	<u>7,343</u>

Amounts owed by fellow subsidiaries and parent undertaking include an amount of £215,000 (2016: £82,000) that will mature after more than one year.

10 Creditors: amounts falling due within one year

	2017	2016
	£ 000	£ 000
Trade creditors	77	51
Deferred income	3,363	2,958
Amounts owed to fellow subsidiary undertakings	577	-
Other taxes and social security	309	343
Accrued expenses and other creditors	1,227	961
	<u>5,553</u>	<u>4,313</u>

11 Deferred tax

	Short-term timing differences	Fixed assets	Total
	£ 000	£ 000	£ 000
At 1 April 2016	6	10	16
Charged to profit and loss account	-	1	1
At 31 March 2017	<u>6</u>	<u>11</u>	<u>17</u>

12 Share capital

	2017	2016
	£	£
Allotted, called-up and fully paid:		
3,056,753 ordinary shares of £0.0001 each (2016: 3,056,753 ordinary shares of £0.0001 each)	<u>306</u>	<u>306</u>

Commerce Decisions Limited
Notes to the financial statements (continued)

13 Profit and loss account

	2017	2016
	£ 000	£ 000
At 1 April	5,030	3,382
Profit for the year	<u>1,363</u>	<u>1,648</u>
At 31 March	<u>6,393</u>	<u>5,030</u>

14 Reconciliation of movement in shareholders' funds

	2017	2016
	£ 000	£ 000
At 1 April	5,328	3,680
Profit for the year	<u>1,363</u>	<u>1,648</u>
At 31 March	<u>6,691</u>	<u>5,328</u>

15 Obligations under leases

Operating leases

The Company had the following total future minimum lease commitments:

	2017	2016
	£ 000	£ 000
Within one year	165	118
In two to five years	<u>330</u>	<u>-</u>
	<u>495</u>	<u>118</u>

Operating lease payments represents rental payable by the Company on certain property, plant and equipment. Principal operating lease are negotiated for a term of 6 years.

16 Non adjusting events after the financial period

After the balance sheet date, dividends of £3.5m (2016: £nil) were proposed by the directors to its parent company, QinetiQ Holdings Limited. The dividends have not been provided for as at 31 March 2017.

17 Parents undertaking and controlling party

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. The financial statements of Commerce Decisions 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 Company Secretary, QinetiQ Group plc, Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX.