

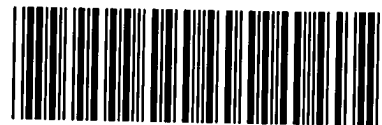
Registration number: 6160319

QinetiQ Overseas Trading Limited

Annual report and financial statements

for the year ended 31 March 2020

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QinetiQ Overseas Trading Limited
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Year references (2020, 2019) refer to the Company's financial year ended 31 March

QinetiQ Overseas Trading Limited

Strategic report for the year ended 31 March 2020

The Directors present their Strategic Report for QinetiQ Overseas Trading Limited ('the Company') for the year ended 31 March 2020.

Principal activities

The principal activities of the Company are defence consultancy and managed services outside of the United Kingdom.

Business review and key performance indicators

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

	Unit	2020	2019
Revenue	£'000	963	5,390
(Loss)/Profit before tax	£'000	(35)	55
(Loss)/Profit for the year	£'000	(36)	51

The loss before taxation was £35,000 (2019: profit before taxation of £55,000) due to lower recharge of business development cost to subsidiary undertakings. Revenue reduced due to lower volume of work in the current year.

Principal risks and uncertainties

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

- Reduced spending in the core markets in which the Company operates. This, and modernising ways of evaluating capability, results in a risk that our approaches /offerings may not remain relevant. There remains the potential for this risk to be exacerbated by the impact of COVID-19 on Government spending and the EU exit should the UK experience a loss of market confidence and further reduction in collaborative EU funding. To monitor this risk, the Company proactively engages with our major customers to allow us to support their objectives and our investment into core contracts.
- Failure to create a culture of innovation, develop relevant technology and business models or to attract and retain the right talent, to enable the realisation of new ideas for our customers and our organisation. To manage this risk we continue to mature our innovation approach, including clear articulation across the organisation, to ensure the importance of innovation to both our organisation and our customers is clearly understood and initiatives are supported.
- A breach of physical or data security, cyber attacks or IT systems failure could have an adverse impact on our customers' operations. Data security is assured through a multi-layered approach that provides a hardened environment, including robust physical security arrangements and data resilience strategies. Information systems are designed with consideration to single points of failure and comply with relevant accreditation standards. Mandatory security awareness training for all staff also mitigates this risk.

QinetiQ Overseas Trading Limited
Strategic report for the year ended 31 March 2020 (continued)

Principal risks and uncertainties (continued)

- The COVID-19 pandemic disrupts the Company operations. QinetiQ's crisis management process is well embedded, flexible and exercised. It operates at strategic, tactical and operational levels across the Company allowing the Group to respond rapidly to the pandemic and government requirements. The process has been held under regular review and modification enacted where required to ensure an effective response to the pandemic. The Company has engaged with all relevant stakeholders including government, customers, suppliers and employees as the pandemic has progressed. Ways of working have been adapted to facilitate remote working from home where possible and to meet public health requirements where not.

Approved by the Board on 10 December 2020 and signed on its behalf by:



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

QinetiQ Overseas Trading Limited

Directors' report for the year ended 31 March 2020

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

The Company is a private company limited by shares and is incorporated, registered and domiciled in the United Kingdom and the registered number is 6160319. The address of the registered office is Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX.

Directors' of the company

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

Kim Garrod

Jon Messent - Company Secretary and Director

Michael Collier (resigned 20 December 2019)

Iain Farley (appointed 20 December 2019)

Future developments

The Company expects to continue operating with its principal activities as outlined in the Strategic Report for the foreseeable future.

Overseas branches

During the year the Company had a branch outside of the United Kingdom in Abu Dhabi.

Research and development

The Company had no research and development activity in the year (2019: £nil).

Dividends

The Directors have not recommended payment of a dividend in respect of the year ended 31 March 2020 (2019: £nil).

Political and charitable contributions

The Company made no political or charitable contributions during the year (2019: £nil).

Employees

The Company is committed to the fair treatment of people with disabilities in relation to job 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.

Financial risk management

The Company is exposed to a variety of financial risks as a result of its operations that include effects of changes in foreign exchange rates, interest rates and credit risks.

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.

Interest rate risk

The Company has interest bearing inter-company balances which earn or accrue interest at fixed rates plus LIBOR. In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has access to fixed interest rate loans from fellow subsidiary undertakings. The Company does not use derivative financial instruments to manage interest rate costs.

QinetiQ Overseas Trading Limited
Directors' report for the year ended 31 March 2020 (continued)

Financial risk management (continued)

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.

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

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

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 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 these financial statements, the Directors are required to:

- select suitable accounting policies and 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.


QinetiQ Overseas Trading Limited
Directors' report for the year ended 31 March 2020 (continued)

Directors' confirmations

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

- so far as the director is 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 10 December 2020 and signed on its behalf by:



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

Independent auditors' report to the members of QinetiQ Overseas Trading Limited

Report on the audit of the financial statements

Opinion

In our opinion, QinetiQ Overseas Trading Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss 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 2020; the Statement of Comprehensive Income and 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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.

Independent auditors' report to the members of QinetiQ Overseas Trading Limited (continued)

Reporting on other information (continued)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2020 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 set out on page 4, 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.

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 Overseas Trading Limited
(continued)**

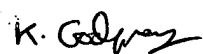
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received 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.



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

Date: 11 December 2020

QinetiQ Overseas Trading Limited
Statement of comprehensive income for the year ended 31 March

		2020	2019
	Note	£ 000	£ 000
Revenue	2	963	5,390
Operating expenses		(1,931)	(7,096)
Other operating income	3	<u>941</u>	<u>1,764</u>
Operating (loss)/profit	5	(27)	58
Finance expense		<u>(8)</u>	<u>(3)</u>
(Loss)/Profit before taxation		(35)	55
Tax on (loss)/profit	6	<u>(1)</u>	<u>(4)</u>
(Loss)/Profit for the financial year and total comprehensive (expense)/income		<u>(36)</u>	<u>51</u>

All amounts derive from continuing operations.

The notes on pages 12 to 18 form an integral part of these financial statements.

QinetiQ Overseas Trading Limited
Balance sheet as at 31 March

	Note	2020 £ 000	2019 £ 000
Current assets			
Debtors	7	2,276	2,030
Cash at bank and in hand		<u>243</u>	<u>47</u>
		2,519	2,077
Creditors: amounts falling due within one year	8	<u>(2,490)</u>	<u>(2,012)</u>
Net assets		<u>29</u>	<u>65</u>
Capital and reserves			
Called up share capital	9	-	-
Retained earnings		<u>29</u>	<u>65</u>
Total shareholders' funds		<u>29</u>	<u>65</u>

The financial statements of QinetiQ Overseas Trading Limited (company number 6160319) on pages 9 to 18 were approved by the Board on 10 December 2020 and signed on its behalf by:



Kim Garrod
Director

The notes on pages 12 to 18 form an integral part of these financial statements.

QinetiQ Overseas Trading Limited
Statement of changes in equity for the year ended 31 March

	Called up share capital £ 000	Retained earnings £ 000	Total shareholders' funds £ 000
At 1 April 2018	-	14	14
Profit for the financial year and total comprehensive income	-	51	51
At 31 March 2019	-	65	65

	Called up share capital £ 000	Retained earnings £ 000	Total shareholders' funds £ 000
At 1 April 2019	-	65	65
Loss for the financial year and total comprehensive expense	-	(36)	(36)
At 31 March 2020	-	29	29

The notes on pages 12 to 18 form an integral part of these financial statements.

QinetiQ Overseas Trading 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 that 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 under the historical cost convention and have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

In these financial statements, the Company has applied the exemptions available under FRS 101 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;
- financial instrument information required by IFRS7, Financial instruments, and
- disclosures in respect of the compensation of key management personnel.

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 assets, the Company's immediate 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.

Change in accounting policies

IFRS 16 'Leases'

The adoption of IFRS 16 'Leases' has had no impact on the financial performance of the Company as the Company has only short term leases.

IFRIC 23 'Uncertainty over income tax treatments'

This interpretation was published in June 2017 and is required to be applied in the determination of taxable profit/losses and tax attributes, when there is uncertainty over their treatment under IAS 12. The Company has considered the interpretation and there is no impact on the tax provision for the current or prior years.

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 assesses contracts for 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, the determination of distinct performance obligations, determination of agency and principal relationships and licences.

QinetiQ Overseas Trading Limited
Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

Revenue from contracts with customers (continued)

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 exist 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.

Contract assets

Contract assets is a term used in adopting IFRS 15 (as applied under FRS 101) and effectively represents amounts recoverable under contracts as previously reported. Contract assets represent revenue recognised in excess of amounts invoiced. Revenue is recognised on service contracts by using a 'percentage complete' method, applying the proportion of contract costs incurred for work performed to date relative to the estimated total contract cost, after making suitable allowances for technical and other risks related to performance milestones yet to be achieved, and applying that proportion to total contract price. Payment for service contracts are not always due from the customer until certain milestones have been reached and, therefore, a contract asset is recognised over the period in which the services are performed representing the Company's right to consideration for services performed to date, to the extent that the customer has not yet been invoiced for those services.

Contract liabilities

Contract liabilities is a term used in adopting IFRS 15 (as appointed under FRS 101) 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.

QinetiQ Overseas Trading Limited

Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances

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.

Taxation

The taxation charge is based on the taxable profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. Current tax and deferred tax are charged or credited to the statement of comprehensive income/(expense), except where they relate to items charged or credited to equity, in which case the relevant tax is charged or credited to equity. Deferred taxation is the tax attributable to the temporary differences that appear when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using rates enacted or substantively enacted at the balance sheet date.

Any changes in the tax rates are recognised in the profit and loss account unless related to items directly recognised in equity. Deferred tax liabilities are recognised on all taxable temporary differences excluding non-deductible goodwill. Deferred tax assets are recognised on all deductible temporary differences provided that it is probable that future taxable income will be available against which the asset can be utilised. Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset and there is an intention to settle balances on a net basis.

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 right 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 or 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.

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.

Trade receivables are stated net of provisions for doubtful debts. In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was granted to the reporting date. Credit risk is limited as the Company only contracts with customers who meet certain creditworthiness requirements. Any associated risks of bad debts are ultimately borne by fellow group undertaking therefore further limiting the Company's exposure to credit risk.

QinetiQ Overseas Trading Limited
Notes to the financial statements (continued)

1 Basis of preparation and accounting policies (continued)

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 or 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.

Leases

In the prior year financial statements leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as leases were classified as operating leases. The Company leases various short-term leases of offices and are recognised on a straight-line basis as an expense in statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Critical accounting estimates and judgements in applying accounting policies

Given the straightforward nature of the Company, the Directors are of the opinion that there are no critical accounting estimates and judgements in applying accounting policies applicable to the Company.

2 Revenue

All revenues are derived from service contracts outside of the United Kingdom.

	Middle East £ 000	Total £000
2020		
Revenue	<u>963</u>	<u>963</u>
	Middle East £ 000	Total £ 000
2019		
Revenue	<u>5,390</u>	<u>5,390</u>

3 Other operating income

	2020 £ 000	2019 £ 000
Other operating income	<u>941</u>	<u>1,764</u>

Other operating income primarily relates to the business development agreement with QinetiQ Limited to recharge the costs of the Abu Dhabi branch office. It also relates to the recharge of salary costs to other group companies from operations in France and Germany respectively.

QinetiQ Overseas Trading Limited
Notes to the financial statements (continued)

4 Directors and employees

	2020	2019
	£ 000	£ 000
Wages and salaries	284	897
Social security costs	66	120
Other pension costs	32	53
	<u>382</u>	<u>1,070</u>

Lower salary cost in the current year as prior year included salary cost of employees in Abu Dhabi branch and these employees have been transferred to another entity in the current year.

The monthly average number of persons employed by the Company (excluding Directors) during the year, was:

	2020	2019
	No.	No.
Total employees	<u>5</u>	<u>9</u>
	<u>5</u>	<u>9</u>

None of the Directors received any emoluments from the Company for their services during the year (2019: £nil). All Directors' fees or emoluments were paid by another Group company, QinetiQ Limited and the amount attributable to the qualifying services by the Directors to the Company cannot be reliably estimated.

5 Operating (loss)/profit

Arrived at after charging:

	2020	2019
	£ 000	£ 000
Expenses relating to short-term leases	<u>-</u>	<u>102</u>

The expenses relating to short term leases is £nil in the current year as the lease has ended and no further extension of lease term.

The auditors' remuneration is borne by another Group company, 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 £9,000 (2019: £6,000). The amount paid to the Company's auditors for non-audit fees during the year was £nil (2019: £nil).

6 Tax on (loss)/profit

(a) Analysis of tax charge in the year

	2020	2019
	£ 000	£ 000
Foreign current tax		
Foreign tax	<u>1</u>	<u>4</u>
Total foreign current tax	<u>1</u>	<u>4</u>

QinetiQ Overseas Trading Limited
Notes to the financial statements (continued)

6 Tax on (loss)/profit (continued)

(b) Tax charge reconciliation

	2020 £ 000	2019 £ 000
(Loss)/Profit before tax	<u>(35)</u>	<u>55</u>
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	(7)	11
Group relief surrendered/(claimed) for nil consideration	7	(8)
Expenses not deductible for tax purposes and other non-taxable items	-	1
Increase arising from overseas tax suffered	<u>1</u>	<u>-</u>
Total tax charge for the year	<u><u>1</u></u>	<u><u>4</u></u>

The effective tax rate for the year exceeds the UK statutory rate of 19% primarily as a result of the surrender of losses as group relief for nil consideration. In the prior period the effective tax rate for the year was below the UK statutory rate of 19% primarily as a result of claiming losses as group relief for nil consideration. The future effective tax rate will be dependent on future performance and subject to the impact of any tax legislation changes and the assumption that group losses will be available for surrender if required.

(c) Factors that may affect future tax charges

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

7 Debtors

	2020 £ 000	2019 £ 000
Trade receivables	1,612	1,199
Amounts owed by fellow subsidiary undertakings	126	-
Contract assets	15	182
Other receivables	520	644
Corporation tax	<u>3</u>	<u>5</u>
	<u><u>2,276</u></u>	<u><u>2,030</u></u>

QinetiQ Overseas Trading Limited
Notes to the financial statements (continued)

8 Creditors: amounts falling due within one year

	2020	2019
	£ 000	£ 000
Trade payables	9	5
Bank overdrafts	55	330
Accrued expenses	14	44
Amounts owed to fellow subsidiary undertakings	2,412	1,454
Other taxes and social security	-	179
	<u>2,490</u>	<u>2,012</u>

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

9 Called up share capital

	2020	2019
	£	£
Allotted, called-up and fully paid:		
1 ordinary share of £1 (2019: 1 ordinary share of £1)	<u>1</u>	<u>1</u>

10 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 liability under the guarantee to that amount.

11 Related party transactions

During the year there were sales of £0.6m (2019: £5.4m) to BQ Solutions QTSP-LLC and £0.4m (2019: £nil) to Houbara Defence & Security LLC. BQ Solutions QSTP-LLC and Houbara Defence & Security LLC are 49% owned Joint Ventures of QinetiQ Overseas Holdings Limited, a fellow subsidiary undertaking in the Group. At the year-end there were outstanding receivables from BQ Solutions QSTP-LLC of £1.6m (2019: £1.2m) and Houbara Defence & Security LLC of £0.04m (2019: £nil).

12 Parent undertaking and controlling party

The ultimate parent undertaking and controlling party is QinetiQ Group plc, a company registered in United Kingdom. The immediate parent undertaking is QinetiQ Holdings Limited, a company registered in the United Kingdom. The financial statements of QinetiQ Overseas Trading Limited are consolidated in the financial statements of QinetiQ Group plc, 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.