

Registration No. 00444860

BAE SYSTEMS (PROJECTS) LIMITED

Directors' Report and Financial Statements

For the Year Ended 31 December 2010

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BAE SYSTEMS (PROJECTS) LIMITED
(Registration No 00444860)

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BAE SYSTEMS (PROJECTS) LIMITED
(Registration No 00444860)

DIRECTORS' REPORT

The directors present their report, together with the financial statements, for the year ended 31 December 2010

Business review and principal activities

The Company undertook no trading activities during the year.

Post balance sheet events

The Company's Articles of Association were amended on 14 March 2011 and removed the requirement for the Company to have an authorised share capital, the concept of which was abolished under the Companies Act 2006

Results and dividends

The profit for the year amounted to £440,000 (2009 loss of £4,000). The directors do not recommend the payment of a dividend for the year (2009 £nil)

Going Concern

The financial statements have been prepared on the going concern basis. The directors believe that this is appropriate as they have no reason to believe that the group debtor is not fully recoverable.

Future outlook

The Company has ceased to trade. However, due to this company being initially set up to deal with the export contracts, it is deemed prudent to treat this company as a going concern as it is still required to settle obligations in relation to contracts which have been previously undertaken. It is anticipated that any future export contracts will be handled by a fellow Group company, BAE Systems Surface Ships (Projects) Limited.

Directors

The directors who held office during the year and up to the date of signing the report were.

W Brown

PR Earl (Resigned 23 June 2010)

RJ Imms (Appointed 23 June 2010)

GS Phillips (Appointed 16 March 2011)

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BAE SYSTEMS (PROJECTS) LIMITED
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DIRECTORS' REPORT (continued)

Auditors

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and in accordance with section 487 (2) of the Companies Act 2006 have been re-appointed

By Order of the Board

GS Phillips
Director

A handwritten signature in black ink, appearing to be 'GS Phillips', written over a horizontal line.

Warwick House
PO Box 87
Farnborough Aerospace Centre
Farnborough
Hampshire GU14 6YU

Date *24th June* 2011

BAE SYSTEMS (PROJECTS) LIMITED
(Registration No 444860)

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 BAE SYSTEMS (PROJECTS) LIMITED

We have audited the financial statements of BAE Systems (Projects) Limited for the year ended 31 December 2010 set out on pages 4 to 11. 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 auditors' 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 web-site 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 December 2010 and of its profit 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.



Richard Ackland (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
London

24-5m-2011

BAE SYSTEMS (PROJECTS) LIMITED
(Registration No 00444860)

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Operating costs	3	440	-
Operating profit		440	-
Profit on ordinary activities before taxation		440	-
Taxation credit/ (charge) on profit on ordinary activities	4	-	(4)
Profit/(loss) for the financial year		440	(4)

There were no recognised gains or losses other than those reported above

The above results relate entirely to the continuing activities of the Company

There is no material difference between the profit/result on ordinary activities before taxation and the profit/(loss) for the year stated above, and their historical cost equivalents

BAE SYSTEMS (PROJECTS) LIMITED
(Registration No 00444860)

BALANCE SHEET
as at 31 December

	Notes	2010 £'000	2009 £'000
Current assets			
Debtors	5	90,048	90,048
		<u>90,048</u>	<u>90,048</u>
Current liabilities			
Creditors amounts falling due within one year	6	(5,061)	(5,501)
		<u>(5,061)</u>	<u>(5,501)</u>
Net current assets		84,987	84,547
		<u>84,987</u>	<u>84,547</u>
Net assets		84,987	84,547
		<u>84,987</u>	<u>84,547</u>
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	10	84,987	84,547
		<u>84,987</u>	<u>84,547</u>
Equity shareholder's funds	11	84,987	84,547
		<u>84,987</u>	<u>84,547</u>

Approved by the Board of Directors on *24 June* 2011

RJ Imms

RJ Imms
Director

Registered number 00444860

The notes on pages 7 to 11 form part of the financial statements

NOTES TO THE ACCOUNTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

Going Concern

The financial statements have been prepared on the going concern basis. The directors believe that this is appropriate as they have no reason to believe that the group debtor is not fully recoverable

Cash Flow Statement

The Company is exempt from the requirement of Financial Reporting Standard 1 (Revised) - Cash flow statements (FRS 1) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of BAE Systems plc, and its cash flows are included within the consolidated cash flow statement of that company

Related Party Transactions

In accordance with paragraph 3c of Financial Reporting Standard 8 - Related Party Disclosures (FRS 8), the Company is exempt from disclosing details of arrangements with other companies in the Group

Financial Instruments

As the Company is a wholly owned subsidiary of BAE Systems plc, it is exempt from presenting FRS 29 disclosures as full equivalent disclosures are presented on a group basis within the consolidated financial statements

Taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on an undiscounted basis in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date where there is an obligation to pay more tax, or a right to pay less tax, in the future

Foreign currencies

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover contracts have been arranged, at the contracted rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account

BAE SYSTEMS (PROJECTS) LIMITED
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NOTES TO THE ACCOUNTS (Continued)
Year ended 31 December 2010

2. SEGMENTAL INFORMATION

The Company derives all its turnover and profit before taxation from its principal activity of managing and co-ordinating major projects which use the products of other Group companies. Net assets are situated in the United Kingdom and derive from the Company's principal activity.

3. OPERATING COSTS

	2010 £'000	2009 £'000
Other external and operating charges and credits	<u>440</u>	<u>-</u>

Other external and operating charges and credits of £440,000 (2009 £nil) arose in respect of the partial release of a brought forward accrual during the year.

The audit fee for the year ended 2010 was borne by the ultimate parent company, BAE Systems plc.

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The Company has not provided for corporation tax for the year as any taxable profits will be covered by the surrender of losses from other group companies, in respect of which no payment will be made.

	2010 £'000	2009 £'000
Deferred tax:		
Adjustment in respect of prior years	<u>-</u>	<u>4</u>
Tax charge on profit on ordinary activities	<u>-</u>	<u>4</u>

The factors influencing the current tax charge are explained below.

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	<u>440</u>	<u>-</u>
Tax charge on profit at UK rate of 28% (2009 28%)	123	-
Non-trading loan relationship tax credit	633	(567)
Group relief	(756)	567
Total corporation tax charge	<u>-</u>	<u>-</u>

BAE SYSTEMS (PROJECTS) LIMITED
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NOTES TO THE ACCOUNTS (Continued)
Year ended 31 December 2010

5. DEBTORS

	2010 £'000	2009 £'000
Amounts falling due within one year:		
Amounts owed by holding and fellow subsidiary companies	90,048	90,048
	90,048	90,048
Amounts falling due after more than one year:		
Deferred taxation (note 8)	-	-
Total	90,048	90,048

6. CREDITORS

	2010 £'000	2009 £'000
Amounts falling due within one year:		
Corporation tax	1,730	1,730
Accruals and deferred income	3,331	3,771
	5,061	5,501

7. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	-	-

8. DIRECTORS AND EMPLOYEES

Directors' emoluments are shown above as £nil (2009 £nil) Messrs Brown, Earl and Imms were full time executives of other Group companies and did not receive any remuneration for services provided to this Company It is not practicable to allocate the emoluments for other services

BAE SYSTEMS (PROJECTS) LIMITED
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NOTES TO THE ACCOUNTS (Continued)
Year ended 31 December 2010

9. DEFERRED TAXATION ASSET

	2010 £'000	2009 £'000
Amount brought forward	-	4
Included in profit and loss account	-	(4)
	<hr/>	<hr/>
Carried forward	-	-
	<hr/>	<hr/>
	2010 £'000	2009 £'000
Accelerated capital allowances	-	-
	<hr/>	<hr/>
Deferred tax asset	-	-
	<hr/>	<hr/>

10. RESERVES – PROFIT AND LOSS

	2010 £'000	2009 £'000
As at 1 January	84,547	84,551
Profit/(loss) for the financial year	440	(4)
	<hr/>	<hr/>
At 31 December	84,987	84,547
	<hr/>	<hr/>

11. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS

	2010 £'000	2009 £'000
Profit/(loss) for the financial year	440	(4)
Opening equity shareholder's funds	84,547	84,551
	<hr/>	<hr/>
Closing equity shareholder's funds	84,987	84,547
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (Continued)
Year ended 31 December 2010

12. ULTIMATE PARENT UNDERTAKING

The immediate parent company is BAE Systems Electronics Limited

The ultimate parent company and controlling entity is BAE Systems plc, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of BAE Systems plc are available to the public and may be obtained from the registered office 6 Carlton Gardens, London, SW1Y 5AD.