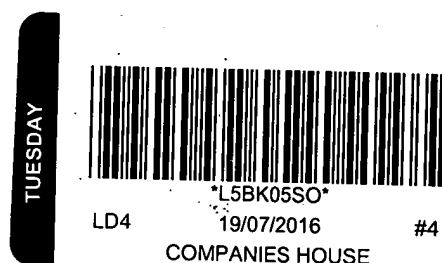


BAE Systems (Projects) Limited

Annual report and financial statements

31 December 2015

Registered number: 00444860



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Directors' report

Company registration

BAE Systems (Projects) Limited is a private company, limited by shares and registered in England and Wales with the registered number 00444860.

Results and dividends

The Company's profit for the financial year is £nil (2014 £366,000).

The directors do not propose a dividend for 2015 (2014 £8,000,000).

Looking forward

The Company was initially set up to deal with export contracts and was still required in the prior year 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.

Going concern

BAE Systems (Projects) Limited no longer has a trade and on this basis, the financial statements have not been prepared on a going concern basis.

Directors and their interests

The director who served during the year and at the date of this report was as follows:

DB Gill

The Board is not aware of any contract of significance in relation to the Company in which any director has, or has had, a material interest.

Disclosure of information to auditor

The director who held office at the date of approval of this Directors' report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office and in accordance with section 487(2) of the Companies Act 2006, has been re-appointed.

On behalf of the Board



DB Gill

Director

6 July 2016

Registered office:
BAE Systems (Projects) Limited
Warwick House
PO Box 87
Farnborough Aerospace Centre
Farnborough
Hampshire
GU14 6YU
England
United Kingdom

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), including FRS 101 *Reduced Disclosure Framework*.

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 judgements 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. As explained in note 1 the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 set out on pages 6 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), 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 Directors' Responsibilities Statement 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of its result 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 matters prescribed by the Companies Act 2006

In our opinion the information given in 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 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.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Michael Frankish
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

6 July 2016

Income statement and statement of comprehensive income
for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Operating credit	2	-	366
Profit before taxation		-	366
Taxation expense	4	-	-
Profit for the year		-	366
Other comprehensive income		-	-
Total comprehensive income for the year		-	366

The notes on pages 9 to 11 form part of the financial statements.

The results for 2015 and 2014 arise from continuing activities.

Balance sheet
as at 31 December 2015

	Notes	2015 £'000	2014 £'000
Current assets			
Trade and other receivables	5	718	8,718
Total assets		718	8,718
Current liabilities			
Trade and other payables	6	(365)	(365)
Total liabilities		(365)	(365)
Net assets		353	8,353
Capital and reserves			
Issued share capital	7	-	-
Retained earnings		353	8,353
Total equity		353	8,353

Approved by the Board on 6 July 2016 and signed on its behalf by:



DB Gill
Director

Registered number: 00444860

Statement of changes in equity
for the year ended 31 December 2015

	Notes	Issued share capital £'000	Retained earnings ¹ £'000	Total equity £'000
At 1 January 2014 (as previously reported)		-	7,987	7,987
Effect of transition to FRS 101		-	-	-
At 1 January 2014 (restated)		-	7,987	7,987
Profit for the year		-	366	366
At 31 December 2014 (restated)		-	8,353	8,353
Profit for the year		-	-	-
Ordinary share dividends	7		(8,000)	(8,000)
At 31 December 2015		-	353	353

¹ The non-distributable portion of retained earnings is £nil (2014: £nil).

Notes to the accounts

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework. Amendments to FRS 101 (2013/14 Cycle) issued in July 2014, and effective for periods beginning on or after 1 January 2015, has been applied. Amendments to FRS 101 (2014/15 cycle and other minor amendments), issued in July 2015, and effective for periods beginning on or after 1 January 2016, has been early adopted and applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the EU (EU-adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1, Presentation of Financial Statements;
- the requirements of IAS 7, Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24, Related Party Disclosures; and
- the requirements in IAS 24, Related Party Disclosures, to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

In its transition to FRS 101, the Company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the company's reported financial performance and position is provided in note 8.

The following paragraphs summarise the main accounting policies of the Company and have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared under the historical convention, as modified by the revaluation of relevant financial assets and financial liabilities (including derivative instruments).

The principal activity of the Company was to deal with export contracts, but trading has now ceased. On the basis that the Company does not have a trade, the financial statements have not been prepared on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

Dividends

Dividends received and receivable are credited to the Company's income statement. Equity dividends paid on ordinary share capital are recognised as a liability in the period in which they are declared.

Trade and other receivables

Trade and other receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Receivables with a short-term duration are not discounted.

Trade and other payables

Trade and other payables are stated at their cost.

Tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- related to investments in subsidiaries and equity accounted investments to the extent that it is probable that they will not reverse in the foreseeable future; and
- arising on the initial recognition of goodwill.

Notes to the accounts (continued)

1 Accounting policies (continued)

Tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2 Operating credit

	2015 £'000	2014 £'000
Release of accrued external advisor fee	-	366
Operating credit	-	366

The auditor's remuneration for the current period is borne by a fellow group company, BAE Systems Surface Ships Limited, a company incorporated in England and Wales. The fees payable in respect of this company are disclosed within their financial statements.

3 Directors and employees

The directors are full time executives of other group companies. They did not receive any remuneration for their services as directors of the Company for the current or preceding year and it is not practicable to allocate their emoluments for other services.

The company has no employees (2014 none).

4 Taxation expense

Total tax reconciliation

The following reconciles the expected income tax expense, using the UK corporation tax rate, to the reported tax expense:

	2015 £'000	2014 £'000
Result/profit before taxation	-	366
UK corporation tax rate	20.25%	21.5%
Expected income tax expense on profit	-	79
Imputed interest	22	30
Group losses received free of charge	(22)	(109)
Taxation expense	-	-

Provision for deferred tax is not required.

5 Trade and other receivables

	2015 £'000	2014 £'000
Amounts owed by group subsidiaries	718	8,718
	718	8,718

Notes to the accounts (continued)

6 Trade and other payables

	2015 £'000	2014 £'000
Current		
Amounts owed to group subsidiaries	365	365
	365	365

7 Share capital

Share capital

	£1 Ordinary shares No	Nominal value £
Issued and fully paid		
At 1 January and 31 December 2015	100	100

Equity dividends

	2015 £'000	2014 £'000
Final dividend for ordinary shares paid in respect of the previous year	(8,000)	-
	(8,000)	-

8 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information for the year ended 31 December 2014 and the opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheets, the Company has reviewed the requirement to adjust amounts reported in financial statements prepared in accordance with its previous basis of accounting. The transition to FRS 101 has had no effect on the Company's financial performance and position as previously reported.

9 Ultimate parent undertaking

The immediate parent company is BAE Systems Electronics Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company is BAE Systems plc, a company incorporated in Great Britain and registered in England and Wales.

The consolidated accounts of BAE Systems plc are available to the public and may be obtained from:

6 Carlton Gardens,
London,
SW1Y 5AD

Website: www.baesystems.com