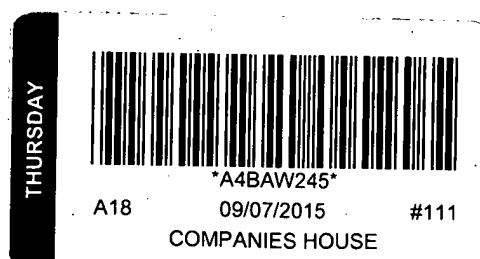


BAE SYSTEMS (PROJECTS) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Registration Number: 00444860



BAE SYSTEMS (PROJECTS) LIMITED

Registration Number: 00444860

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BAE SYSTEMS (PROJECTS) LIMITED

Registration Number: 00444860

DIRECTORS' REPORT

The directors present their report, together with the financial statements, for the year ended 31 December 2014.

Business review and principal activities

The only income during the year arose from the release of an accrual for advisor fees that was no longer required. Income during the prior year was derived from the sale of software licenses.

Results and dividends

The profit for the year amounted to £366,000 (2013: £3,000,000). The directors have proposed a final dividend for the year of £8,000,000 (2013: £nil).

Strategic report

The directors have taken advantage of the exemption in Companies Act 2006 (section 414B) for including a Strategic Review Statement in the financial statements, on the grounds that the Company is small.

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.

Future outlook

The Company was initially set up to deal with the export contracts and 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:

DB Gill (Appointed 21 October 2014)

GS Phillips (Resigned 21 October 2014)

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

KPMG LLP have indicated their willingness to be re-appointed as auditor of the Company and a resolution proposing their re-appointment will be put to the members.

BAE SYSTEMS (PROJECTS) LIMITED
Registration Number: 00444860

DIRECTORS' REPORT (continued)

By order of the board



DB Gill
Director

29 June 2015

Registration number: 00444860

Registered office:

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

BAE SYSTEMS (PROJECTS) LIMITED
Registration Number: 00444860

**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. 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 2014 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).

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 3, 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 2014 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.

Emphasis of matter – non-going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not being prepared on the going concern basis for the reason set out in that note.

Opinion on other matter prescribed by the Companies Act 2006

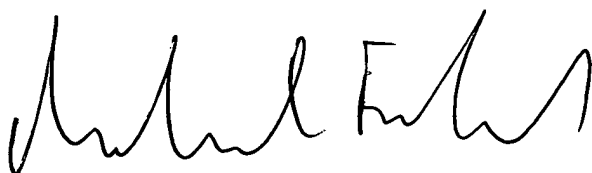
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAE SYSTEMS (PROJECTS) 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Michael Frankish (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
Lancashire
M2 3AE

29 June 2015

BAE SYSTEMS (PROJECTS) LIMITED
Registration Number: 00444860

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Other operating income	2	-	3,000
Operating credit	3	366	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		366	3,000
Taxation charge on profit on ordinary activities	4	-	-
		<hr/>	<hr/>
Profit for the financial year		366	3,000
		<hr/> <hr/>	<hr/> <hr/>

The Company has no recognised gains or losses other than as reported through the profit and loss account.

BAE SYSTEMS (PROJECTS) LIMITED
Registration Number: 00444860

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Current assets			
Debtors	5	8,718	8,718
		<u>8,718</u>	<u>8,718</u>
Current liabilities			
Creditors: amounts falling due within one year	6	(365)	(731)
		<u>8,353</u>	<u>7,987</u>
Net current assets			
		<u>8,353</u>	<u>7,987</u>
Net assets			
		<u>8,353</u>	<u>7,987</u>
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	9	8,353	7,987
		<u>8,353</u>	<u>7,987</u>
Equity shareholder's funds	10	<u>8,353</u>	<u>7,987</u>

The notes on pages 8 to 11 form part of these financial statements.

Approved by the board of directors on 29 June 2015



DB Gill
Director

Registered number: 00444860

BAE SYSTEMS (PROJECTS) LIMITED
Registration Number: 00444860

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

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.

Changes in accounting policy

A new financial reporting framework in the UK was effective on 1 January 2015. As a result, BAE Systems (Projects) Limited has adopted FRS 101 Reduced Disclosure Framework for the year ending 31 December 2015. Whilst management is in the process of reviewing the impact that this new framework will have on the Company, it is not expected to have a material impact.

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 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.

Segmental reporting

Under SSAP 25 the Company is exempt from making segmental disclosures as its ultimate parent company provides segmental information under IFRS.

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
Registration Number: 00444860

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. OTHER OPERATING INCOME

Income in the prior year was derived entirely from the sale of a software license.

3. OPERATING CREDIT

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Release of accrued external advisor fees	366	-
	366	-

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.

The current tax charge for the year differs from the standard rate of corporation tax in the UK as explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	366	3,000
Tax charge on profit at UK rate of: 21.5% (2013: 23.25%)	79	698
Imputed interest income	30	234
Group losses received free of charge	(109)	(932)
Total corporation tax charge	-	-

Provision for deferred tax is not required.

BAE SYSTEMS (PROJECTS) LIMITED
Registration Number: 00444860

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

5. DEBTORS

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Amounts owed by ultimate parent company	8,718	8,718

6. CREDITORS

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Amounts owed to fellow group companies	365	-
Accruals and deferred income	-	731
	365	731

7. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

8. 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.

9. RESERVES – PROFIT AND LOSS

	2014 £'000	2013 £'000
As at 1 January	7,987	84,987
Profit for the year	366	3,000
Dividend	-	(80,000)
At 31 December	8,353	7,987

BAE SYSTEMS (PROJECTS) LIMITED
Registration Number: 00444860

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

10. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS

	2014 £'000	2013 £'000
Profit for the year	366	3,000
Dividend	-	(80,000)
Opening equity shareholder's funds	7,987	84,987
Closing equity shareholder's funds	8,353	7,987

11. 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.