

**BAE SYSTEMS PROJECT SERVICES LIMITED**

**Directors' report and financial statements**

**31 December 2014**

TUESDAY



\*A4C32TEA\*

A10

21/07/2015

#243

COMPANIES HOUSE

# **BAE SYSTEMS PROJECT SERVICES LIMITED**

## **CONTENTS**

	<b>Page</b>
<b>Directors' report</b>	<b>1</b>
<b>Statement of directors' responsibilities in respect of the Director's Report and the financial statements</b>	<b>4</b>
<b>Independent auditor's report to the members of BAE Systems Project Services Limited</b>	<b>5</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Reconciliation of movement in shareholder's funds</b>	<b>8</b>
<b>Notes to the accounts</b>	<b>9</b>

# **BAE SYSTEMS PROJECT SERVICES LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITY**

The principal activity of the Company is the design, manufacture and supply of mission critical command, control and management systems, radar sensors, simulation and training systems to defence forces throughout the world.

The Company's profit for the financial year is £1,629,756 (2013: profit £816,061). The directors have proposed a final dividend for the year of £3,768,000.

### **GOING CONCERN**

The directors have reviewed the current activity, future prospects and resources available to the Company. On the basis of their assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

### **FUTURE OUTLOOK**

The Company's strategic plan is to continue to deliver solid financial performance.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Specific risks associated with individual contracts are reviewed as part of the formal monthly reporting process and are covered through specific contract contingencies.

The Company continues to hold a £87,000 provision in respect of the legal fees and associated costs relating to overseas activities.

### **KEY PERFORMANCE INDICATORS**

The Company is part of the BAE Systems plc Group and the key performance indicators used to monitor and review the business are set by the Group and discussed in more detail in the annual report of the Group. The following additional key performance indicators have been used to review and monitor the Company.

	<b>2014</b>	<b>2013</b>
Orderbook	<b>£0.1m</b>	£0.2m
Order Intake	<b>£0.4m</b>	£0.4m
Sales	<b>£0.6m</b>	£0.4m
Profit before tax PBT	<b>£1.6m</b>	£0.8m
Return on Sales	<b>294.2%</b>	198.1%

# **BAE SYSTEMS PROJECT SERVICES LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **OVERSEAS BRANCH**

Oman

PO BOX 396

C.P.O.

Postal Code 111 SEEB

Sultanate of Oman

Company Registration 1/64979/5

### **SUPPLIER PAYMENT POLICY**

It is Company policy that suppliers should be paid in accordance with the payment terms and conditions stated in the applicable purchase order. The Company, together with other BAE Systems companies in the UK, is a signatory to the government's Prompt Payment Code, under which it has undertaken to pay suppliers on time, give clear guidance on payment procedures and encourage the adoption of the code throughout its supply chain.

The average number of days' credit provided by suppliers to the Company during the year was 25 days (2013: 29 days).

### **DIRECTORS**

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

R C M Fisher (resigned 16 June 2014)

M S Cooper

A W Fishburne (resigned 26 August 2014)

P Tortolano

M Christie (appointed 26 August 2014/resigned 26 June 2015)

A P Varney (appointed 26 June 2015)

P C Burke (appointed 26 June 2015)

### **POLITICAL AND CHARITABLE DONATIONS**

There were no political or charitable donations made in the year (2013: £nil).

### **DISCLOSURE OF INFORMATION TO THE 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.

# BAE SYSTEMS PROJECT SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### AUDITOR

KPMG LLP have indicated their willingness to be re-appointed as auditors of the Company and a resolution proposing their re-appointment will be put to the member(s).

By Order of the Board



M S Cooper

Director

29 June 2015

**Registered Number 00553146**

**Registered Office**

Warwick House

PO Box 87

Farnborough Aerospace Centre

Farnborough

Hampshire

GU14 6YU

## **BAE SYSTEMS PROJECT SERVICES LIMITED**

### **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 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 Project Services Limited**

We have audited the financial statements of BAE Systems Project Services Limited for the year ended 31 December 2014 set out on pages 6 to 14. 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 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](http://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.


### **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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and to take advantage of the small companies exemption in not preparing a strategic report.



**John Costello (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
KPMG LLP  
London  
E14 5GL  
29 June 2015

# BAE SYSTEMS PROJECT SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
<b>TURNOVER</b>	2	<b>554</b>	412
Operating costs	3	<b>1,076</b>	404
<b>OPERATING PROFIT</b>		<b>1,630</b>	816
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,630</b>	816
Taxation on profit on ordinary activities	4	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,630</b>	816

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above, and the historical cost equivalents.

There were no recognised gains or losses for the period other than those reported above.

The results for 2014 and 2013 arise from continuing activities.

The notes on pages 9 to 14 form an integral part of these financial statements



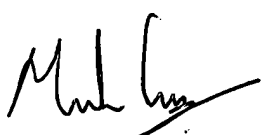
# BAE SYSTEMS PROJECT SERVICES LIMITED

## BALANCE SHEET

As at 31 December 2014

	Note	2014 £'000	2013 £'000
<b>CURRENT ASSETS</b>			
Stocks	5	397	53
Debtors	6	13,006	12,377
Cash at bank and in hand		-	636
		<u>13,403</u>	<u>13,066</u>
<b>CREDITORS: amounts falling due within one year</b>	7	<u>(837)</u>	<u>(1,084)</u>
<b>NET CURRENT ASSETS</b>		<u>12,566</u>	<u>11,982</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,566</u>	<u>11,982</u>
 Provisions for liabilities for liabilities and charges	8	 <u>(3,872)</u>	 <u>(4,918)</u>
<b>NET ASSETS</b>		<u><u>8,694</u></u>	<u><u>7,064</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	-	-
Profit and loss account	12	<u>8,694</u>	<u>7,064</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>8,694</u></u>	<u><u>7,064</u></u>

These financial statements were approved by the Board of Directors on 29 June 2015 and were signed on its behalf by:



M S Cooper  
Director

Registered Number 00553146

The notes on pages 9 to 14 form an integral part of these financial statements.

# **BAE SYSTEMS PROJECT SERVICES LIMITED**

## **RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

**As at 31 December 2014**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	<b>1,630</b>	<b>816</b>
Opening shareholder's funds	<b>7,064</b>	<b>6,248</b>
Closing shareholder's funds	<b>8,694</b>	<b>7,064</b>

# BAE SYSTEMS PROJECT SERVICES LIMITED

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### **Basis of preparation**

The 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 going concern basis has been applied in these accounts.

#### **Changes in Accounting Policy**

A new financial reporting framework in the UK was effective on 1 January 2015. As a result, BAE Systems Project Services 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**

Under the terms of Financial Reporting Standard 1 - Cash Flow Statements (revised), the Company is exempt from the requirement to publish its own cashflow statement because it is a wholly owned subsidiary and its cash flows are included within the publicly available consolidated financial statements of its ultimate parent, BAE Systems plc.

#### **Turnover and profit recognition**

Turnover comprises the value of work completed, goods supplied or services rendered during the year, net of value added tax.

#### Long-term contracts

Turnover is recognised when the Company can reliably estimate the outcome to a long-term contract and has obtained the right to consideration in exchange for its performance. This is usually when title passes or a separately identifiable phase (milestone) of a contract or development has been completed and accepted by the customer.

No profit is recognised on contracts until the outcome of the contract can be reliably estimated. Profit is calculated by reference to reliable estimates of contract revenue and forecast costs after making suitable allowance for technical risks related to performance milestones yet to be achieved. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

#### Goods supplied and services rendered

Sales of goods and provision of services not under a long-term contract are recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer and revenue and costs can be reliably measured.

#### **Foreign currencies**

Transactions in foreign currencies are translated at the rate of exchange 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.

#### **Stocks and contracts in progress**

Stocks are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Long-term contract balances are stated at cost less provision for anticipated losses. Appropriate provisions for any losses are made in the year in which they are first foreseen. The amount of profit attributable to the stage of completion of a long-term contract is arrived at by reference to the estimated overall profitability of the contract.

# **BAE SYSTEMS PROJECT SERVICES LIMITED**

## **NOTES TO THE ACCOUNTS (CONTINUED)**

### **1. ACCOUNTING POLICIES (CONTINUED)**

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account 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 as required by Financial Reporting Standard 19 - Deferred Tax.

#### **Provisions for liabilities and charges**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated.

Provisions for losses on contracts are recorded when it becomes probable that the total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write downs of work in progress for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly.

#### **Related Parties transactions**

As the Company is a wholly owned subsidiary of BAE Systems plc, the Company has taken advantage of the exception contained in Financial Reporting Standard 8 – Related Party Disclosures, and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

#### **Financial Instruments**

The Company is a wholly owned subsidiary of BAE Systems plc, therefore it is exempt from presenting Financial Reporting Standards 29 – Financial Instruments Disclosures, as full equivalent disclosures are presented on a Group basis within the consolidated financial statements.

# BAE SYSTEMS PROJECT SERVICES LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### 2. TURNOVER

The turnover and pre-tax profit, is attributable to one activity, the design, manufacture and supply of mission critical command, control and management systems, radar sensors, simulation and training systems.

	2014 £'000	2013 £'000
<b>Turnover by geographical destinations</b>		
UK	-	22
Europe	361	362
Middle East	63	28
Asia and Far East	130	-
	<u>554</u>	<u>412</u>

### 3. OPERATING PROFIT

	2014 £'000	2013 £'000
<b>Operating profit is stated after charging</b>		
(Increase)/decrease in work in progress	(343)	19
Raw materials and consumables	158	(74)
Auditor's remuneration	2	-
Other operating income	<u>(893)</u>	<u>(350)</u>

# BAE SYSTEMS PROJECT SERVICES LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### 4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

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 before taxation	1,630	816
Tax (charge) on profit at UK rate of 21.5% (2013: 23.25%)	(350)	(190)
Imputed interest (income)	(44)	(55)
Provisions	224	97
Accelerated capital allowances	1	1
Losses received from group companies	169	147
<b>Current tax (charge) for the year</b>	-	-

Provision for deferred tax is not required.

### 5. STOCKS

	2014 £'000	2013 £'000
Long-term contract work in progress	397	53
	<b>397</b>	<b>53</b>

### 6. DEBTORS

	2014 £'000	2013 £'000
Trade debtors	45	45
Amounts owed by immediate parent undertaking	12,852	12,223
Other debtors	109	109
	<b>13,006</b>	<b>12,377</b>

# BAE SYSTEMS PROJECT SERVICES LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	13	-
Accruals and deferred income	824	1,084
	<u>837</u>	<u>1,084</u>

### 8. PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty	Other	Total
	£'000	£'000	£'000
At 1 January 2014	6	4,912	4,918
Charged during the year	3	-	3
Released during the year	-	(892)	(892)
Utilised during the year	-	(157)	(157)
<b>At 31 December 2014</b>	<b>9</b>	<b>3,863</b>	<b>3,872</b>

#### Warranty

Warranty is provided in the normal course of business with provisions for associated costs being made based on an assessment of future claims with reference to past experience. Whilst actual events could result in potentially significant differences to the quantum but not the timing of the outflows in relation to the provisions, management has reflected current knowledge in assessing the provision levels and historical evidence indicates that the actual outflows are similar to the amounts provided.

#### Contract Loss

Contract loss provisions are provided when the outturn margin is forecast to be negative. They will be transferred to work in progress as expenditure is incurred on the project.

#### Other

The Company holds provision for other costs that it is expected to incur over an extended period. These costs are based on past experience of similar items and other known factors and represent management's best estimate of the likely outcome. The provisions relate to business related activities overseas.

### 9. CALLED UP SHARE CAPITAL

	2014 £	2013 £
<b>Issued:</b>		
40 Ordinary shares of 5p each	<u>2</u>	<u>2</u>

# BAE SYSTEMS PROJECT SERVICES LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### 10. DIRECTORS AND EMPLOYEES

The directors are full time executives of other Group companies. They do not receive any remuneration for their services as directors of the Company and it is not practicable to allocate their emoluments for other services.

### 11. DEFERRED TAX ASSETS

Provision for deferred tax is not required.

The deferred tax asset which has not been recognised in the financial statements comprises:

	2014 £'000	2013 £'000
Provisions and accruals	(815)	(1,024)
Accelerated capital allowances	(3)	(4)
Deferred tax asset	<u>(818)</u>	<u>(1,028)</u>

#### Note

Under the Finance Act 2013, the main rate of UK current tax was reduced from 23% to 21% with effect 1 April 2014 and from 21% to 20% with effect from 1 April 2015. This will reduce future current charges accordingly.

The reduction from 23% to 20% was substantively enacted before 31 December 2013. In line with this change, the rate applying to UK deferred tax assets and liabilities was reduced from 23% to 20% creating a rate adjustment in 2013. Accordingly, the unrecognised UK deferred tax balances as at 31 December 2013 were calculated at 20%, and this rate continues to apply as at 31 December 2014.

### 12. RESERVES – PROFIT AND LOSS ACCOUNT

	2014 £'000	2013 £'000
At 1 January	7,064	6,248
Profit for the financial year	1,630	816
At 31 December	<u>8,694</u>	<u>7,064</u>

### 13. ULTIMATE PARENT UNDERTAKING

The immediate parent company is BAE Systems Integrated System Technologies Limited.

The Company's ultimate controlling entity is BAE Systems plc, incorporated in Great Britain and registered in England and Wales.

BAE Systems plc is the parent undertaking of the largest group of undertakings of which the Company is a member for which group accounts are prepared. Copies of the accounts of BAE Systems plc are available from its registered office at 6 Carlton Gardens, London SW1Y 5AD.