

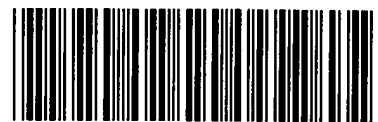
# **BAE Systems (Overseas Holdings) Limited**

## **Annual report and financial statements**

**31 December 2015**

Registered number: 02775320

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## Directors' report

### Company registration

BAE Systems (Overseas Holdings) Limited is a private company, limited by shares and registered in England and Wales with the registered number 02775320.

### Review of business

The Company acts as an intermediate holding company of principally overseas subsidiaries and equity investees.

### Results and dividends

The Company's profit for the financial year is £59,394,000 (2014 £36,707,000 restated). During the year, interim dividends of £nil were declared (2014 £37,000,000).

The directors propose a final dividend for 2015 of £59,000,000.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company is part of the BAE Systems plc Group and the principal risks and uncertainties affecting the Group are discussed in more detail in the annual report of the Group. Additional specific principal risks and uncertainties facing the Company concern the possible impairment of the value of its investment in BAE Systems Group subsidiary companies.

### 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 directors do not consider it necessary to provide additional key performance indicators at a company level for an understanding of the development, performance or position of the business.

### Going concern

As highlighted within note 1 to the accounts the Company has net current liabilities of £383,115,000 (2014: £478,433,000). The parent company, BAE Systems plc, has confirmed that it will provide sufficient working capital to allow the Company to meet any liabilities for a period of 12 months from the date of approval of these financial statements. Thus the directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Directors and their interests

The directors who served during the year and at the date of this report were as follows:

D S Parkes  
A-L Holding

### 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 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



D S Parkes  
Director  
28 July 2016

Registered office:  
BAE Systems (Overseas Holdings) 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.

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 (Overseas Holdings) Limited**

We have audited the financial statements of BAE Systems (Overseas Holdings) Limited for the year ended 31 December 2015 set out on pages 6 to 16. 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](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 2015 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 matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

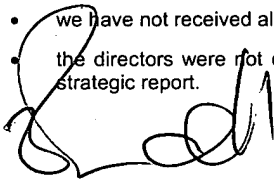
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- 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.



**Mike Barradell**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
KPMG LLP  
15 Canada Square  
London  
E14 5GL

28 July 2016

## Income statement

for the year ended 31 December 2015

	Notes	2015 £000's	2014 <sup>1</sup> £000's
Administrative expenses	2	(33,128)	(286)
<b>Operating loss</b>		<b>(33,128)</b>	<b>(286)</b>
Income from subsidiary undertakings and participating interests	3	92,825	36,993
<b>Profit before finance costs and taxation</b>		<b>59,697</b>	<b>36,707</b>
Interest receivable and similar income	4	6,975	41,268
Interest payable and similar charges	5	(7,275)	(41,268)
<b>Profit before taxation</b>		<b>59,397</b>	<b>36,707</b>
Taxation expense	7	(3)	-
<b>Profit for the year</b>		<b>59,394</b>	<b>36,707</b>

## Statement of comprehensive income

for the year ended 31 December 2015

	2015 £000's	2014 <sup>1</sup> £000's
<b>Profit for the year</b>	<b>59,394</b>	<b>36,707</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to the income statement:</b>		
Fair value gain on available-for-sale financial assets	-	4,194
Total other comprehensive income for the year (net of tax)	-	4,194
<b>Total comprehensive income for the year</b>	<b>59,394</b>	<b>40,901</b>

<sup>1</sup> Restated on adoption of Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework.

The notes on pages 8 to 16 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's	2014 £000's
<b>Non-current assets</b>			
Investments	8	622,765	658,689
		622,765	658,689
<b>Current assets</b>			
Trade and other receivables	9	131,859	131,775
		131,859	131,775
<b>Total assets</b>		<b>754,624</b>	<b>790,464</b>
<b>Current liabilities</b>			
Trade and other payables	10	(514,974)	(610,208)
		(514,974)	(610,208)
<b>Total liabilities</b>		<b>(514,974)</b>	<b>(610,208)</b>
<b>Net assets</b>		<b>239,650</b>	<b>180,256</b>
<b>Capital and reserves</b>			
Issued share capital	11	175,953	175,953
Share premium		54	54
Retained earnings		63,643	4,249
<b>Total equity</b>		<b>239,650</b>	<b>180,256</b>

Approved by the Board on 28 July 2016 and signed on its behalf by:

  
D S Parkes  
Director

Registered number: 02775320

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

	Notes	Issued share capital £000's	Share premium £000's	Retained earnings £000's	Total equity £000's
At 1 January 2014		175,953	54	348	176,355
Profit for the year		-	-	36,707	36,707
Total other comprehensive income for the year		-	-	4,194	4,194
Ordinary share dividends	11	-	-	(37,000)	(37,000)
At 31 December 2014 (restated)		175,953	54	4,249	180,256
Profit for the year		-	-	59,394	59,394
<b>At 31 December 2015</b>		<b>175,953</b>	<b>54</b>	<b>63,643</b>	<b>239,650</b>

## 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 requirement in paragraph 38 of IAS 1, Presentation of Financial Statements, to present comparative information in respect of: paragraph 79(a)(iv) of IAS 1;
- 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;
- 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; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, Impairment of Assets.

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 12.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £383,115,000 (2014 £478,433,000), which the directors believe to be appropriate as the Company is dependent for its working capital on funds provided to it by BAE Systems plc, the ultimate parent company. BAE Systems plc 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 and will not seek repayment of the amounts currently made available. 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.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, BAE Systems plc, a company registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual undertaking and not as a group.

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 going concern basis has been applied in these accounts.

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

#### Interest income

Interest income is recognised in the income statement in the period in which it is incurred.



## Notes to the accounts (*continued*)

### 1 Accounting policies (*continued*)

#### 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.

#### Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date. These exchange differences are recognised in the income statement.

#### Investments

Fixed asset investments in shares in subsidiary undertakings and in shares in participating interests are stated at cost less provision for impairment.

The carrying amounts of the Company's investments are reviewed annually to determine whether there is any indication of impairment as required by IAS 36, Impairment of Assets. An impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount.

Impairment losses are recognised in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

#### 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.

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.

## Notes to the accounts (continued)

### 1 Accounting policies (continued)

#### Financial instruments

##### *Derivative financial instruments and hedging activities*

The global nature of the Company's business means it is exposed to volatility in currency exchange rates. In order to protect itself against currency fluctuations, the Company's policy is to hedge all material firm transactional exposures. The Company aims to achieve hedge accounting treatment for all derivatives that hedge material foreign currency exposures.

In accordance with its treasury policy, the Company does not hold derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, such instruments are stated at fair value at the balance sheet date. Gains and losses on derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement for the period.

##### *Fair value hedges*

Where a derivative financial instrument is designated as a fair value hedge, changes in the fair value of the underlying asset or liability attributable to the hedged risk, and gains and losses on the derivative instrument, are recognised in the income statement for the period.

### 2 Administrative expenses

	2015 £000's	2014 £000's
Other expenses	(133)	(286)
Impairment of investments	(32,995)	-
<b>Administrative expenses</b>	<b>(33,128)</b>	<b>(286)</b>

The remuneration of the auditors for the year ended 31 December 2015 for statutory audit work was £4,770 (2014 £4,710). This has been borne by BAE Systems plc, the ultimate parent company.

Investments have been reviewed for impairment during the year resulting in a total impairment charge of £32,995,000 as detailed in note 8.

### 3 Income from subsidiary undertakings and participating interests

	2015 £000's	2014 £000's
Dividends received from MBDA Holdings SAS	5,477	14,330
Dividends received from BAE Systems (Operations) Limited	-	10,402
Dividends received from BAE Systems (Operations) Singapore Pte. Limited	3,250	2,989
Dividends received from BAE Systems Electronics Limited	-	9,272
Dividends received from BAE Systems (Sweden) AB	84,054	-
Dividends received from BAE Systems Holdings (South Africa) (Pty) Limited	44	-
<b>Income from subsidiary undertakings and participating interests</b>	<b>92,825</b>	<b>36,993</b>

### 4 Interest receivable and similar income

	2015 £000's	2014 <sup>1</sup> £000's
Foreign exchange gains	6,615	41,268
Other interest receivable	360	-
<b>Interest receivable and similar income</b>	<b>6,975</b>	<b>41,268</b>

<sup>1</sup> Restated on adoption of FRS 101.

Notes to the accounts (continued)

**5 Interest payable and similar charges**

	2015 £000's	2014 <sup>1</sup> £000's
Foreign exchange losses	6,615	41,268
Other interest payable	660	-
<b>Interest payable and similar charges</b>	<b>7,275</b>	<b>41,268</b>

<sup>1</sup> Restated on adoption of FRS 101.

**6 Employees**

None of the directors received any emoluments from the Company during the year. All directors who served during the year were employed by BAE Systems plc and were remunerated through that company.

**7 Taxation expense**

Taxation expense	2015 £000's	2014 £000's
<b>Current taxation</b>		
UK:		
Adjustments in respect of prior years	(1)	-
	(1)	-
Overseas:		
Current tax	(2)	-
	(2)	-
<b>Taxation expense</b>	<b>(3)</b>	<b>-</b>

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015, and will be reduced to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. In line with this change, the rate applying to UK deferred tax assets and liabilities has been reduced from 20% to 18%.

**Reconciliation of taxation expense**

The following table reconciles the theoretical income tax expense, using the UK corporation tax rate, to the reported tax expense.

	2015 £000's	2014 £000's
<b>Profit before taxation</b>	<b>59,397</b>	<b>36,707</b>
UK corporation tax rate	20.25%	21.5%
Expected income tax expense	(12,026)	(7,892)
Effect of tax rates in foreign jurisdictions	(2)	-
Expenses not tax effected	(6,923)	(78)
Impairment of investments	(1,123)	-
Income not subject to tax	18,794	7,952
Imputed interest expense	1,886	1,698
Losses surrendered to group companies	(572)	(1,216)
Attributable profits from Controlled Foreign Companies	(36)	(464)
Adjustments in respect of prior years	(1)	-
<b>Taxation expense</b>	<b>(3)</b>	<b>-</b>

Provision for deferred tax is not required.

Notes to the accounts (continued)

8 Investments

	Subsidiary undertakings £000's	Other participating interests £000's	Total £000's
<b>Cost</b>			
At 1 January 2015	514,849	381,550	896,399
Additions	104	3,582	3,686
Other movements	-	4,500	4,500
Exchange rate movements	(6,615)	-	(6,615)
<b>At 31 December 2015</b>	<b>508,338</b>	<b>389,632</b>	<b>897,970</b>
<b>Provision for impairment</b>			
At 1 January 2015	(35,184)	(202,526)	(237,710)
Provision for impairment	(5,403)	(27,592)	(32,995)
Other movements	-	(4,500)	(4,500)
<b>At 31 December 2015</b>	<b>(40,587)</b>	<b>(234,618)</b>	<b>(275,205)</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>467,751</b>	<b>155,014</b>	<b>622,765</b>
At 31 December 2014	479,665	179,024	658,689

The exchange rate movement credit of £6,615,000 (2014: credit of £41,268,000) on the investment in BAE Systems (Sweden) AB has been reflected in the income statement.

An impairment review has resulted in an impairment charge of £32,995,000 being created (2014:£nil), of which £27,592,000 relates to BAE Systems Electronics Limited and £5,255,000 relates to BAE Systems (Sweden) AB.

The recoverable amount of the investments held by the Company have been calculated with reference to their value in use. The value-in-use calculations use risk-adjusted future cash flow projections based on the Group's five-year Integrated Business Plan (IBP) and include a terminal value based on the projections for the final year of that plan, with growth rate assumptions applied. The IBP process includes the use of historic experience, available government spending data and the Group's order book. Pre-tax discount rates, derived from the Group's post-tax weighted average cost of capital of 7.12% to 7.47% (2014: 7.12% to 7.96%) (adjusted for risks specific to the market in which the cash-generating unit (CGU) operates), have been used in discounting these projected risk-adjusted cash flows. The final year growth rate assumption in the value-in-use calculations is 0% to 2%.

**Subsidiary undertakings and other participating interests at 31 December 2015**

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 December 2015 is disclosed below. Unless otherwise stated, the Company's shareholding represents 100% interest in ordinary shares and the year end is 31 December.

## Notes to the accounts (continued)

### 8 Investments (continued)

#### Subsidiaries – wholly-owned

4219 Lafayette, LLC<sup>7</sup>  
4219-120 Lafayette Center Drive, Chantilly VA  
20151, United States  
BAE Systems (Gripen Overseas)  
Limited<sup>1</sup>  
BAE Systems (Malaysia) Sdn Bhd,  
16th Floor, Wisma Sime Darby, Jalan Raja  
Baut, 50350 Kuala Lumpur, Malaysia  
BAE Systems (Operations) Singapore  
Pte Limited<sup>1</sup>  
One Marina Boulevard #28-00, Singapore  
018989, Singapore  
BAE Systems (Poland) Sp. z o.o.<sup>1</sup>  
ul. Abp. A. Baraniaka 88, 61-131 Poznan,  
Poland  
BAE Systems (Sweden) AB<sup>1,5</sup>  
c/o Advokatfirman DLA Nordic KB, Box 7315,  
SE-103 90 Stockholm, Sweden  
BAE Systems Applied Intelligence (Asia  
Pacific) Pte Limited  
United Square, 101 Thomson Road, #25-03/04,  
307591, Singapore  
BAE Systems Applied Intelligence A/S<sup>1</sup>  
Bouet Mollevej 3, 9400 Norresundby, Denmark  
BAE Systems Applied Intelligence  
(Connect) A/S  
Bouet Mollevej 3-5, 9400 Norresundby,  
Denmark  
BAE Systems Applied Intelligence GCS  
Inc.<sup>3</sup>  
1676 International Drive, 10th Floor, Suite  
1000, McLean VA 22102, United States  
BAE Systems Applied Intelligence  
(GCS) Limited  
Surrey Research Park, Guildford, Surrey GU2  
7YP, United Kingdom  
BAE Systems Applied Intelligence  
France SAS<sup>1</sup>  
112 Avenue Kleber, 75016, Paris, France  
BAE Systems Communications  
Solutions, LLC<sup>7</sup>  
PO Box 111, Knowledge Oasis Muscat,  
Building 4, 2nd Floor, Muscat, Oman  
BAE Systems do Brasil Ltda<sup>1</sup>  
SCN Quadra 5 Bloco A, Ed. Brasilia Shopping,  
Torre Norte, Sala 426, Brasilia, DF CEP:70715-  
900, Brazil  
BAE Systems Finance B.V.  
c/o SGG Netherlands N.V., Hoogoorddreef 15,  
1101 BA Amsterdam, Netherlands  
BAE Systems Holdings (South Africa)  
(Pty) Limited<sup>1</sup>  
Central Office Park No. 5, 257 Jean Avenue,  
Centurion, Gauteng, 0157, South Africa  
BAE Systems Holdings B.V.<sup>1</sup>  
c/o SGG Netherlands N.V., Hoogoorddreef 15,  
1101 BA Amsterdam, Netherlands

BAE Systems Holding GmbH<sup>1</sup>  
Hauptstrasse 48, 82433 Bad Kohlgrub,  
Germany  
BAE Systems India (Services) Private  
Limited<sup>1,6</sup>  
2nd Floor, Hotel Le-Meridien Commercial  
Tower, Raisina Road, New Delhi 110001, India  
BAE Systems Insurance (Isle of Man)  
Limited<sup>1</sup>  
Tower House, Loch Promenade, Douglas, IM1  
2LZ, Isle of Man, United Kingdom  
BAE Systems Logistica Ltda<sup>1</sup>  
SCN Quadra 5 Bloco A, Ed. Brasilia Shopping,  
Torre Norte, Sala 426, Brasilia, DF CEP:70715-  
900, Brazil  
BAE Systems Regional Aircraft (Japan)  
KK<sup>1,3</sup>  
Minami Azabu T&F Building 8th Floor,  
4-11-22 Minami Azabu, Minato-ku, Tokyo,  
Japan  
BAE Systems Regional Aircraft  
Colombia SAS<sup>1</sup>  
c/o Brigard & Urrutia, Calle 70 A No. 4-41,  
Bogota, Colombia  
BAE Systems Zephyr Corporation<sup>1,2</sup>  
c/o The Corporation Trust Company,  
Corporation Trust Center, 1209 Orange Street,  
City of Wilmington, County of New Castle, DE  
19801, United States  
BAE Systems Zephyr Fifth Corporation<sup>1,2</sup>  
c/o The Corporation Trust Company,  
Corporation Trust Center, 1209 Orange Street,  
City of Wilmington, County of New Castle, DE  
19801, United States  
BAE Systems Zephyr Fourth  
Corporation<sup>1,2</sup>  
c/o The Corporation Trust Company,  
Corporation Trust Center, 1209 Orange Street,  
City of Wilmington, County of New Castle, DE  
19801, United States  
BAE Systems Zephyr Second  
Corporation<sup>1,2</sup>  
c/o The Corporation Trust Company,  
Corporation Trust Center, 1209 Orange Street,  
City of Wilmington, County of New Castle, DE  
19801, United States  
BAE Systems Zephyr Third  
Corporation<sup>1,2</sup>  
c/o The Corporation Trust Company,  
Corporation Trust Center, 1209 Orange Street,  
City of Wilmington, County of New Castle, DE  
19801, United States  
ETI Engineering, Inc.<sup>3</sup>  
1676 International Drive, 10th Floor, Suite  
1000, McLean VA 22102, United States  
Muiden Chemie International B.V.  
c/o SGG Netherlands N.V., Hoogoorddreef 15,  
1101 BA Amsterdam, Netherlands  
Royal Ordnance B.V.  
c/o SGG Netherlands N.V., Hoogoorddreef 15,  
1101 BA Amsterdam, Netherlands

Royal Ordnance Maschinen und  
Anlagenbau GmbHs  
Heckler & Koch Straße 1, D-78727 Oberndorf  
a.N, Germany  
RPL (Electronics) Limited<sup>5</sup>  
15 Canada Square, London E14 5GL, United  
Kingdom  
Sepia, LLC<sup>1,7</sup>  
4219-120 Lafayette Center Drive, Chantilly VA  
20151, United States  
BAE Systems India (Homeland Security)  
Private Limited<sup>1,6</sup>  
2nd Floor, Hotel Le-Meridien Commercial  
Tower, Raisina Road, New Delhi 110001, India  
BAE Systems India (Technology) Private  
Limited<sup>1,6</sup>  
2nd Floor, Hotel Le-Meridien Commercial  
Tower, Raisina Road, New Delhi 110001, India  
BAE Systems India (Ventures) Private  
Limited<sup>1,6</sup>  
2nd Floor, Hotel Le-Meridien Commercial  
Tower, Raisina Road, New Delhi 110001, India  
BAE Systems Oman LLC<sup>1</sup>  
PO Box 74, Postal Code 111, Seeb, Oman  
BAE Systems Saudi Limited<sup>1</sup>  
PO Box 1732, Riyadh 11441, Saudi Arabia  
Granada Enterprises Limited<sup>1</sup>  
PO Box 1732, Riyadh 11441, Saudi Arabia  
PT. BAE Systems Services<sup>1,3</sup>  
Wisma 46, Kota BNI, 34th Floor, Suite 34.01.A,  
Jl. Jenderal Sudirman Kavling 71, Jakarta  
10220, Indonesia

#### Equity accounted investments

MBDA Holdings SAS (25%)<sup>1</sup>  
1 Avenue Réaumur, 92350 Le Plessis-  
Robinson, France  
Nurol BAE Systems Hava Sistemleri  
Anonim Şirketi (49%)<sup>1,4</sup>  
Arjantin Cad. No: 7 06700, Gaziosmanpaşa,  
Ankara, Turkey  
Tirs Mateen & Co LLC (50%)<sup>1,7</sup>  
PO Box 3369, Postal Code 111, Seeb, Oman

#### Notes

1. Directly owned by BAE Systems (Overseas Holdings) Limited.
2. Ownership held in common stock.
3. Ownership held in common shares.
4. Ownership held in class of B shares.
5. In members' voluntary liquidation.
6. Year end 31 March.
7. Unincorporated entity for which the address given is the principal place of business.

**Notes to the accounts (continued)**

**9 Trade and other receivables**

	2015 £000's	2014 £000's
<b>Current</b>		
Amounts owed by group undertakings	131,817	131,775
Other receivables	42	-
	<b>131,859</b>	<b>131,775</b>

**10 Trade and other payables**

	2015 £000's	2014 £000's
<b>Current</b>		
Amounts due to ultimate parent company	181,819	276,492
Amounts owed to immediate parent company	329,703	329,703
Amounts owed to group undertakings	3,452	3,532
Other taxes and social security costs	-	45
Other payables	-	436
	<b>514,974</b>	<b>610,208</b>

**11 Share capital and other reserves**

**Share capital**

	£1 Ordinary shares '000	Nominal value £000's
<b>Issued and fully paid</b>		
At 1 January and 31 December 2015	175,953	175,953

**Equity dividends**

	2015 £000's	2014 £000's
Interim dividend for ordinary shares paid	-	37,000
	-	37,000

The directors propose a final dividend for 2015 of £59,000,000.

**12 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).

Notes to the accounts (continued)

12 Explanation of transition to FRS 101 (continued)

In preparing its FRS 101 balance sheets, the Company has adjusted amounts reported in financial statements prepared in accordance with its previous basis of accounting. An explanation of how the transition to FRS 101 has affected the Company's financial performance and position is set out in the following tables.

Impact of transition to FRS 101 on the Company income statement

Year ended 31 December 2014				
	As previously reported £000's	Net investment hedging adjustment £000's	Other transition adjustments £000's	FRS 101 £000's
Administrative expenses	(286)	-	-	(286)
<b>Operating loss</b>	<b>(286)</b>	-	-	<b>(286)</b>
Income from subsidiary undertakings and participating interests	36,993	-	-	36,993
Amounts written back/(off) investments	4,194	-	(4,194)	-
<b>Profit before finance costs and taxation</b>	<b>40,901</b>	-	(4,194)	<b>36,707</b>
Interest receivable and similar income	-	41,268	-	41,268
Interest payable and similar charges	-	(41,268)	-	(41,268)
<b>Profit before taxation</b>	<b>40,901</b>	-	(4,194)	<b>36,707</b>
Taxation expense	-	-	-	-
<b>Profit for the year</b>	<b>40,901</b>	-	(4,194)	<b>36,707</b>

Impact of transition to FRS 101 on the Company statement of comprehensive income

Year ended 31 December 2014				
	As previously reported £000's	Net investment hedging adjustment £000's	Other transition adjustments £000's	FRS 101 £000's
<b>Profit for the year</b>	<b>40,901</b>	-	(4,194)	<b>36,707</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to the income statement:</b>				
Remeasurements on retirement benefit schemes	-	-	-	-
Tax on items that will not be reclassified to the profit and loss account	-	-	-	-
<b>Items that may be reclassified to the income statement:</b>				
Currency translation on foreign currency branches	-	-	-	-
Fair value gain on available-for-sale financial assets	-	-	4,194	4,194
Tax on items that may be reclassified to the income statement	-	-	-	-
<b>Total other comprehensive income for the year (net of tax)</b>	<b>-</b>	<b>-</b>	<b>4,194</b>	<b>4,194</b>
<b>Total comprehensive income for the year</b>	<b>40,901</b>	-	-	<b>40,901</b>

<sup>1</sup> It had been the Company's policy to use net investment hedging. Under this policy, the Company denominated its equity investments in the appropriate foreign currencies and translated them at the end of each accounting period using the closing foreign exchange rates. Exchange differences arising were taken to reserves where they offset the exchange gains or losses on the foreign currency borrowings. Upon transition to FRS 101 net investment hedge accounting is not permitted. In order to protect itself against currency fluctuations the Company has designated its foreign currency borrowings as fair value hedges of foreign currency risks attributable to its foreign equity investments. Accordingly, the foreign equity investments are retranslated at each balance sheet date and exchange differences arising on the retranslation are recognised in the Income Statement to offset the exchange difference arising on translation of the foreign currency borrowings.

**Notes to the accounts** *(continued)*

**12 Explanation of transition to FRS 101** *(continued)*

**Impact of transition to FRS 101 on the Company balance sheet**

No GAAP differences arose on the Company balance sheet on the transition of the Company's accounting policies from UK GAAP to FRS 101.

**13 Ultimate parent undertaking**

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](http://www.baesystems.com)