

**BAE SYSTEMS (OMAN) LIMITED**

**Directors' report and financial statements**

**31 December 2013**



# **BAE SYSTEMS (OMAN) LIMITED**

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# BAE SYSTEMS (OMAN) LIMITED

## DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2013.

### BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the provision of aircraft spares. In December 2012 the Company was awarded a contract for the provision of Typhoon and Hawk Aircraft and attendant Support Services to the Sultanate of Oman. Deliveries to the customer under this contract are due to commence in 2017.

The Company's loss for the financial year is £1,068,846 (2012 loss £65,122). The directors do not propose payment of a dividend (2012: £nil).

### 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 key business risks and uncertainties affecting the Company are considered to relate to its exposure to the provision of the five year Typhoon aircraft availability service, as well as agreeing a cost effective employment package for BAES personnel at the new Typhoon airbase in country. The performance requirements of this service are entirely consistent with those already being successfully delivered for Typhoon in Saudi Arabia and the risks in overall terms are felt to be low.

### 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.

	2013 £'000	2012 £'000
Orderbook	2,542,150	2,541,607
Order Intake	3,660	2,542,527
Sales	3,117	1,760
Loss before tax	(1,069)	(65)
Return on Sales	(34.3)%	(4)%

### 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 of accounting in preparing the annual financial statements.

The Directors are confident about the future prospects of the Company.

Following on from the award of a contract to provide Typhoon and Hawk aircraft and support services to the Sultanate of Oman the Company's strategic plan is to continue to develop further opportunities in the sale of defence related products and services to the Oman market.

# **BAE SYSTEMS (OMAN) LIMITED**

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

### **OVERSEAS BRANCH**

Oman

P.O. Box 74

C.P.O. SEEB

Postal Code 111

Muscat

Sultanate of Oman

Branch Registration Number: 1174355

### **DIRECTORS**

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

Mr P A Carr (resigned 4 February 2014)

Mr D A Cole

Mr I G King

Sir Simon Bryant KCB CBE (appointed 4 June 2013)

Mr A K Gilchrist (resigned 4 June 2013)

### **POLITICAL AND CHARITABLE DONATIONS**

There were no political or charitable donations made in the year (2012: £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.

### **AUDITOR**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will continue in office. However, our Auditor, KPMG Audit Plc, has instigated an orderly transfer of business to its parent company, KPMG LLP. Therefore, during the 2014 year KPMG Audit Plc will resign and the Board will appoint KPMG LLP as the Company's auditors.

By Order of the Board



DA Cole

Director

30th June 2014

**Registered Number 03135337**

**Registered Office**

Warwick House

PO Box 87

Farnborough Aerospace Centre

Farnborough

Hampshire

GU14 6YU

## **BAE SYSTEMS (OMAN) 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 (Oman) Limited**

We have audited the financial statements of BAE Systems (Oman) Limited for the year ended 31 December 2013 set out on pages 5 to 13. 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 web-site 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 2013 and of its loss 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.
- The directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Richard Evans (Senior Statutory Auditor)

**For and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants

Edward VII Quay

Navigation Way

Preston

PR2 2YF

United Kingdom

2014

3 July

**BAE SYSTEMS (OMAN) LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December**

	Note	2013 £'000	2012 £'000
<b>TURNOVER</b>	2	<b>3,117</b>	1,760
Operating costs	3	<b>(4,186)</b>	(1,825)
<b>OPERATING LOSS</b>		<b>(1,069)</b>	(65)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(1,069)</b>	(65)
Taxation on loss on ordinary activities	4	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>	11	<b>(1,069)</b>	(65)

There is no difference between the loss on ordinary activities before taxation and the loss 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 2013 and 2012 arise from continuing activities.

The notes on pages 8 to 13 form an integral part of these financial statements.


# BAE SYSTEMS (OMAN) LIMITED

## BALANCE SHEET

As at 31 December

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	5	37	-
<b>CURRENT ASSETS</b>			
Stocks	6	24,322	33,014
Debtors	7	685,153	968,021
Cash at bank and in hand		484	-
		<u>709,959</u>	<u>1,001,035</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(711,116)</u>	<u>(1,001,086)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,120)</u>	<u>(51)</u>
<b>CAPITAL AND RESERVES</b>			
Profit and loss account	11	<u>(1,120)</u>	<u>(51)</u>
<b>SHAREHOLDER'S DEFICIT</b>		<u>(1,120)</u>	<u>(51)</u>

These financial statements were approved by the Board of Directors on 30<sup>th</sup> June 2014 and were signed on its behalf by:



DA Cole

Director

Registered Number 03135337

The notes on pages 8 to 13 form an integral part of these financial statements.



**BAE SYSTEMS (OMAN) LIMITED****RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS****As at 31 December**

	<b>2013 £'000</b>	<b>2012 £'000</b>
Loss for the financial year	<b>(1,069)</b>	<b>(65)</b>
Opening shareholder's (deficit) / funds	<b>(51)</b>	<b>14</b>
Closing shareholder's deficit	<b>(1,120)</b>	<b>(51)</b>

# **BAE SYSTEMS (OMAN) LIMITED**

## **NOTES TO THE ACCOUNTS**

**As at 31 December**

### **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.

#### **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.

#### 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.

#### 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 allowances 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.

#### **Foreign currencies**

Transactions in foreign currencies are translated at the rate of 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.

#### **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.

#### **Tangible fixed assets**

Motor vehicles are recorded at historic cost and depreciated on a straight line basis over their useful lives at a rate of 25%.

# BAE SYSTEMS (OMAN) LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### 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.

#### Segmental reporting

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

### 2. TURNOVER

The turnover is attributable to the sale of aircraft spares and repairs. The pre-tax loss is attributable to the supply of aircraft.

### 3. ANALYSIS OF OPERATING LOSS

	2013 £'000	2012 £'000
<b>Operating loss is stated after charging</b>		
Bought out goods and services	9,721	1,717
Change in Stock	(9,790)	-
Staff Costs	1,664	-
Auditor's remuneration	10	-
Provisions	(6)	100
Depreciation of Fixed assets	5	-
Other External and operating charges	2,582	8

# BAE SYSTEMS (OMAN) LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

### As at 31 December

The Company is exempt from the non-audit fee disclosure as it is a wholly owned subsidiary undertaking of BAE Systems plc. The non-audit fee disclosure is included in the consolidated financial statements of BAE Systems plc.

#### 4. TAXATION

There is no tax charge for the year.

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

	2013 £'000	2012 £'000
(Loss) before taxation	(1,069)	(65)
	<hr/>	<hr/>
Tax credit on loss at UK rate of 23.25% (2012:24.5%)	249	16
Provisions	1	(25)
Imputed interest (income)	(4,055)	(404)
Depreciation in excess of capital allowances	(1)	-
Group relief received free of charge	3,807	413
	<hr/>	<hr/>
Current tax (charge) for the year	-	-
	<hr/>	<hr/>

Provision for deferred tax is not required. The deferred tax asset which has not been recognised in the accounts is made up as follows:

	2013 £'000	2012 £'000
Provisions and accruals	19	23
	<hr/>	<hr/>

The unrecognised deferred tax asset will be recovered if there are sufficient future profits.

#### Note

Under the Finance Act 2013, the main rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015. The tax rate change to 20% was substantively enacted by the balance sheet date and therefore the effect of the rate reduction on the unrecognised deferred tax asset as at 31 December 2013 has been included in the figures above.

# BAE SYSTEMS (OMAN) LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December

### 5. FIXED ASSETS

	Motor Vehicle £'000
<b>Cost</b>	
At 1 January 2013	-
Additions	42
	<hr/>
At 31 December 2013	42
	<hr/>
<b>Accumulated depreciation</b>	
At 1 January 2013	-
Charged in the year	5
	<hr/>
At 31 December 2013	5
	<hr/>
<b>Net Book Value</b>	
<b>At 31 December 2013</b>	<b>37</b>
	<hr/>
At 31 December 2012	-
	<hr/>

### 6. STOCKS

	2013 £'000	2012 £'000
Long - term contract work in progress	328,154	33,014
Less: payments on account received	303,832	-
	<hr/>	<hr/>
	24,322	33,014
	<hr/>	<hr/>

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

	2013 £'000	2012 £'000
Trade debtors	685	875
Amounts owed by ultimate parent undertaking	684,416	967,146
Prepayments	52	-
	<hr/>	<hr/>
	685,153	968,021
	<hr/>	<hr/>

# BAE SYSTEMS (OMAN) LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December

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

	2013 £'000	2012 £'000
Trade Creditors	22	-
Owed to fellow subsidiary undertakings	12,685	1,086
Accruals	2,190	-
Customer stage payments: relating to long term contracts	696,219	1,000,000
	<u>711,116</u>	<u>1,001,086</u>

### 9. DIRECTORS AND EMPLOYEES

	2013 Average No.	2013 £'000	2012 Average No.	2012 £'000
<b>Employees working in the United Kingdom</b>				
Wages and salaries	17	1,222	-	-
Social security costs		126		-
Other pension costs		216		-
		<u>1,564</u>		<u>-</u>
<b>Employees working outside the United Kingdom</b>				
Wages and salaries	1	100		-
Social security costs		-		-
Other pension costs		-		-
		<u>100</u>		<u>-</u>
<b>Total</b>	<b>2013 Average No.</b>	<b>2013 £'000</b>	<b>2012 Average No.</b>	<b>2012 £'000</b>
Wages and salaries	18	1,322	-	-
Social security costs		126		-
Other pension costs		216		-
Total staff costs		<u>1,664</u>		<u>-</u>

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.

# BAE SYSTEMS (OMAN) LIMITED

## NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December

### 10. SHARE CAPITAL

	2013 £	2012 £
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 11. RESERVES – PROFIT AND LOSS ACCOUNT

	2013 £'000	2012 £'000
At 1 January 2013	(51)	14
Loss for the financial year	<u>(1,069)</u>	<u>(65)</u>
At 31 December 2013	<u>(1,120)</u>	<u>(51)</u>

### 12. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is BAE Systems (Holdings) 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.