

Registered Number: 03666197

BAE Systems (Corporate Air Travel) Limited

Annual report and financial statements
31 December 2014

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Strategic report

The Directors present their Strategic report for the year ended 31 December 2014.

Business review and principal activities

The principal activity of the Company is that of air transport services in support of the BAE Systems lines of business. During 2014, the core operations have followed plan with the Embraer 145 and BAe 146-200 aircraft supplemented with a chartered Jetstream J41. Operations in support of Saudi Arabian contracts have shown an increase.

The Company's profit for the financial year is £240,000 (2013: £426,000 loss). Net assets as at 31 December 2014 are £540,000 (2013: £2,800,000)

Principal risks and uncertainties

A risk management process is in place covering operational and financial aspects of the business. The risk management process is designed to ensure a safe operation. All risks and mitigation actions are reviewed quarterly and business financials are reviewed monthly. The business planning process annually reviews key assumptions relating to service demand and operating costs to mitigate these risks and uncertainties.

Key performance indicators

Safety, operational performance, customer satisfaction and financial performance are reflected in the business KPIs. A significant indicator, directly linked to financial performance is the number of seats occupied per flight on the Farnborough route. The 2014 Farnborough average seat utilisation was 28.3 (2013: 28.5) against a target utilisation of 28.5 passengers per flight.

By order of the Board



DA Green
Director
18th June 2015

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

Registered Number: 03666197

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2014.

Proposed dividend

The Directors do not recommend the payment of a dividend (2013: £2,500,000, approved and paid in 2014).

Future outlook

Service contracts are in place with its key customers for 2015. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully reflecting the volatility of the customers' markets.

The ultimate parent company, BAE Systems plc, has indicated that it will continue to provide the Company with such funds as is required to meet liabilities as they fall due. Thus the Directors continue to adopt the going concern basis in preparing the annual financial statements.

The Company continues to review how it can support the BAE Systems lines of business, its customers and suppliers to meet their objectives through the provision of air transport services.

Directors

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

SC McDowell	(resigned 31/03/2015)
P Jones	(resigned 14/02/2014)
MA Reason	
I Grant	
DA Green	
BE Ayling	(appointed 14/02/2014)

Financial Instruments

The Company looks to hedge individual foreign currency payments and receipts over £100,000. Furthermore, the Company looks to put a jet fuel swap agreement in place for the following year to mitigate fuel price variability. Details of financial instruments in place at year end are given in Note 12.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

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

During the year KPMG Audit Plc resigned and KPMG LLP were appointed as 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 members.

By order of the Board



DA Green
Director
18th June 2015

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

Registered Number: 03666197

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 (Corporate Air Travel) Limited

We have audited the financial statements of BAE Systems (Corporate Air Travel) Limited for the year ended 31 December 2014 set out on pages 5 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.

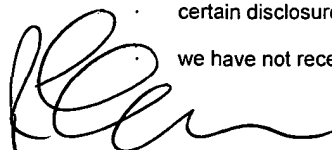
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



Richard Evans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Edward VII Quay
Navigation Way
Ashton-on-Ribble
Preston
PR2 2YF

23 June 2015

Profit and loss account

For the year ended 31 December 2014

		2014 £'000	2013 £'000
Turnover	Note 1	12,403	11,599
Cost of sales		<u>(12,163)</u>	<u>(12,476)</u>
Operating Profit/(loss)		240	(877)
Profit on Sale of Fixed Assets		<u>-</u>	<u>451</u>
Profit/(loss) on ordinary activities before taxation	Note 2	240	(426)
Tax on profit on ordinary activities	Note 5	-	-
Profit/(loss) for the financial year	Note 11	<u>240</u>	<u>(426)</u>

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) stated above, and their 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.

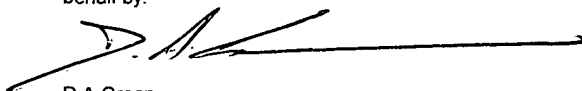
The notes on pages 8 - 11 form an integral part of these financial statements.

Balance sheet

As at 31 December 2014

		2014 £'000	2013 £'000
Fixed assets			
Tangible fixed assets	Note 7	678	787
Current assets			
Debtors	Note 8	2,735	4,601
Creditors: amounts falling due within one year	Note 9	(2,873)	(2,588)
Net current (liabilities)/assets		<u>(138)</u>	<u>2,013</u>
Net assets		<u>540</u>	<u>2,800</u>
Capital and reserves			
Called up share capital	Note 10	-	-
Profit and loss account	Note 11	540	2,800
Shareholder's funds		<u>540</u>	<u>2,800</u>

These financial statements were approved by the board of directors on 18th June 2015 and were signed on its behalf by:



D A Green
Director

Registered number 03666197

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

Reconciliation of movements in shareholder's funds

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Profit/(loss) for the financial year	240	(426)
Dividends on shares classified in shareholder's funds	(2,500)	-
Net (reduction in) shareholder's funds	(2,260)	(426)
Opening shareholder's funds	2,800	3,226
Closing shareholder's funds	540	2,800

Notes to the accounts

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Changes in accounting policy

A new financial reporting framework in the UK was effective on 1 January 2015. As a result, BAE Systems (Corporate Air Travel) Ltd 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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of BAE Systems plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Going Concern

The financial statements have been prepared on a going concern basis. This basis is deemed appropriate as the ultimate parent company, BAE Systems plc, has indicated that it will continue to provide the Company with such funds as is required to meet liabilities as they fall due.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful economic lives as follows:

Aircraft	10% - 25% pa
Plant and Machinery	10% - 25% pa
Motor Vehicles	33.3% pa

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company participates in a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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.

Notes to the accounts (continued)

1 Accounting policies (continued)

Turnover

Sales and turnover which wholly relate to UK based activities comprise the net value of services rendered during the year. Profit/(loss) is recognised at the time of sale.

Dividends on shares presented within shareholder's funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Profit/(loss) on ordinary activities before taxation is stated after charging;

	2014 £'000	2013 £'000
Other - bad debt	10	1
Depreciation	109	114
Hire of plant and machinery - operating leases	353	159

Audit fees have been borne by BAE Systems plc and not recharged.

3 Directors' remuneration

None of the directors received any emoluments from the Company during the year (2013: £nil). All directors who served during the year were employed by other Group companies and were remunerated through those companies.

4 Staff numbers and costs

The Company has no direct employees. Staff costs totalled £2,778,776 (2013: £3,128,524) and represents amounts recharged from BAE Systems plc.

5 Tax on profit/(loss) on ordinary activities

	2014 £'000	2013 £'000
Current Tax		
Current tax (charge) for the period	-	-
Tax on the results for the year	-	-

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/(Loss) before taxation	240	(426)
Tax (charge)/credit on profit/(loss) at UK rate of 21.5% (2013 - 23.25%)	(52)	99
Expenses not tax effected	(11)	(5)
Imputed interest (income)	(7)	(14)
Timing differences not provided	1	123
Group losses received/(surrendered) from/to group companies	69	(203)
Current tax (charge) for the year	-	-

Notes to the accounts (continued)

5 Tax on (loss)/profit on ordinary activities (continued)

Provision for deferred tax is not required. The deferred tax asset has not been recognised due to uncertainty regarding future taxable profits.

The deferred tax asset, which has not been recognised in the financial statements, is made up as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	1	2
Provisions and accruals	3	
	<u>4</u>	<u>2</u>

Note

Under the Finance Act 2013, the UK current tax rate was reduced from 23% to 21% with effect from 1 April 2014 and will then reduce 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%. Accordingly, the unrecognised deferred tax asset as at 31 December 2013 was calculated at 20%, and this rate continues to apply as at 31 December 2014.

6 Dividends

The aggregate amount of dividends proposed and not recognised as liabilities as at year end is £nil (2013: £2,500,000).

7 Tangible fixed assets

	Aircraft £'000	Plant & Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2014 and 31 December 2014	1,033	85	36	1,154
Depreciation				
At 1 January 2014	269	62	36	367
Charge for the year	103	6	-	109
At 31 December 2014	<u>372</u>	<u>68</u>	<u>36</u>	<u>476</u>
Net book value				
At 31 December 2014	<u>661</u>	<u>17</u>	<u>-</u>	<u>678</u>
At 31 December 2013	<u>764</u>	<u>23</u>	<u>-</u>	<u>787</u>

8 Debtors

	2014 £'000	2013 £'000
Trade debtors	62	8
Amounts due from ultimate parent company	1,788	3,099
Amounts owed by other Group companies	-	778
Prepayments and accrued income	885	716
	<u>2,735</u>	<u>4,601</u>

Notes to the accounts (continued)

9 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	106	118
Amount owed to other Group companies	84	-
Accruals and deferred income	<u>2,683</u>	<u>2,470</u>
	<u>2,873</u>	<u>2,588</u>

10 Share capital

	2014 £	2013 £
Allotted, called up and fully paid	<u>2</u>	<u>2</u>

11 Reserves

	2014 £'000	2013 £'000
At beginning of year	2,800	3,226
Profit/(loss) for the year	240	(426)
Dividends on shares classified in shareholder's funds	<u>(2,500)</u>	<u>-</u>
At end of year	<u>540</u>	<u>2,800</u>

12 Financial Instruments

The Company has derivative financial instruments that it has not recognised at fair values.

These consist of contracts to buy US Dollars and sell Sterling at an agreed future date at an agreed future exchange rate. At 31 December 2014, the Company had 3 such contracts (2013: 5). The contracts held at 31 December 2014 commit the Company to buy US Dollars every six months over 2 years for a total net payment of £580,164. If these same contracts had been entered into on 31 December 2014, the Company would have committed to buy US Dollars for a net payment of £566,875.

Furthermore, the company has entered into a swap agreement in relation to the purchase of jet fuel throughout 2015. At 31st December 2014, the Company had 1 such agreement in place (2013:1). The agreement held at 31st December fixes the price that the Company buys a quantity of jet fuel, estimated to be 75% of the Company's annual UK consumption. The agreement would result in payment of £270,652 based on the spot price at 31st December 2014.

13 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 £'000	2013 £'000
Operating leases which expire:		
Within one year	387	387
In the second to fifth years inclusive	<u>193</u>	<u>580</u>
	<u>580</u>	<u>967</u>

14 Related party disclosures

The immediate parent undertaking is BAE Systems (Holdings) Ltd.

The company is a subsidiary undertaking of BAE Systems plc which is the ultimate parent undertaking incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by BAE Systems plc 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:

6 Carlton Gardens
London
SW1Y 5AD