

OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

101575/20

☒ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law.

☒ What this form is for
You cannot use this form for
an alteration of manner
with accounting requirements.

FRIDAY



A9I0470X

A19

27/11/2020

#319

COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① BAE Systems (Funding Four) Unlimited Company

UK establishment number B R 0 2 1 2 8 6

→ Filling in this form
Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

**Part 2 Statement of details of parent law and other
information for an overseas company**

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ② Companies Act 2014 (Ireland)

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.

☒ Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.

Name of organisation or body ③ Financial Reporting Council

③ Please insert the name of the
appropriate accounting organisation
or body.

A3 Accounts

Accounts Have the accounts been audited? Please tick the appropriate box.

☐ No. Go to Section A5.

☒ Yes. Go to Section A4.

OS AA01

Statement of details of parent law and other information for an overseas company


A4**Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to Part 3 'Signature'. <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.	Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ①	International Standards on Auditing (Ireland)	

A5**Unaudited accounts**

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> No. <input type="checkbox"/> Yes.	
--------------------	--	--

Part 3**Signature**

I am signing this form on behalf of the overseas company.		
Signature	<div>Signature</div> <div>X  X</div>	
This form may be signed by: Director, Secretary, Permanent representative.		

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Ms. A-L Holding

Company name BAE Systems plc

Address 6 Carlton Gardens

Post town LONDON.

County/Region

Postcode S W 1 Y 5 A D

Country United Kingdom

DX

Telephone 03300 488880



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

BAE Systems (Funding Four) Unlimited Company

Annual Report and Financial Statements

31 December 2019

Registered number: 522125

Contents

Directors' Report	3
Statement of Directors' Responsibilities	5
Independent Auditor's Report to the Members of BAE Systems (Funding Four) Unlimited Company	6
Income Statement and Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

DIRECTORS' REPORT FOR THE FINANCIAL YEAR TO 31 DECEMBER 2019

The directors present their annual report and audited financial statements of the company for the financial year to 31 December 2019.

Business review and going concern

The Company provides finance to other group companies with company funds not immediately required by it in such matters it sees fit. 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 at least 12 months from the date of approval of the financial statements. The Directors of BAE Systems plc, will continue to provide financial and other support to BAE Systems (Funding Four) Unlimited Company to the extent necessary for the Company to continue to trade and to pay its liabilities as and when they become due. Thus the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Results and dividends

The Company's result for the year is a profit before taxation of US \$274,255 (2018: US \$228,725). After a taxation charge of US (\$12,760,185) (2018: US \$(77,470)), a loss of US (\$12,485,930) (2018: a profit of \$151,255) is retained. The significant tax charge arose following the migration of the company to the UK. There was insufficient UK group tax relief of losses available to fully offset against the UK taxable profits at the reporting date.

The directors are not proposing a final dividend in respect of the current year (2018: NIL).

Key performance indicators (KPIs)

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.

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.

The directors have considered the Company specific risk of recoverability of the intra-group debtor balances totalling US \$2,710,541,148 (2018: US \$2,710,263,050). The directors have carried out an impairment review on the carrying value of the company's intra-group debtor balances and are satisfied that they are at least equal to their recoverable amount and that these balances are recoverable in full.

The outbreak of contagious diseases may have an adverse effect on the Company's business, financial condition and results of operations.

Contagious diseases can have an adverse effect on the Company's business, financial condition and results of operations, through impacting BAE Systems plc (the "Group") thus impacting the recoverability of the loans receivable by this Company. There is currently a COVID-19 coronavirus pandemic across the world. Governments are taking a number of steps to mitigate the impact of this pandemic, including implementing quarantines. Many people have contracted the disease across the world and many deaths have occurred. It is not clear for how long this pandemic will last or how much more extensive it will become, or the further measures that will be taken by governments and others to seek to control this pandemic and its impact.

Since the outbreak of the COVID-19 coronavirus pandemic, the Group has taken a number of responsive measures including reducing site operational levels and introducing new cleaning regimes, safe working distance measures and protective equipment for its employees. A significant proportion of the Group's employees are working from home. While the Group is liaising closely with its customers and suppliers to understand any changes in requirements and priorities during this time, the uncertainties surrounding the development of this pandemic make it difficult to predict the extent to which the Group may be affected.

The COVID-19 coronavirus pandemic could also result in changes to the outlook in the markets in which the Group operates. Areas of the Group's business that could be impacted include a decrease in spending by the Group's major customers, the failure to obtain awards for contracts, the failure of suppliers to deliver services to the Group, the inability of the Group to meet contractual delivery requirements on time, the inability to adequately staff and manage the business, and an increase in the cost or lack of availability of funding. If the Group were unable to obtain appropriate funding, it could be forced to make reductions in spending, seek to extend payment terms with suppliers. Any of the above could have a material adverse effect on the Group's business, financial condition and results of operations. Each of the identified risks is regularly reviewed and actively managed by the Board.

DIRECTORS' REPORT *(Continued)*

Directors

The directors and secretary of the company at 31 December 2019 and up to the date of this report were:

DIRECTORS	R Patara B Chapman
SECRETARY	HMP Secretarial Limited

The directors and secretary who held office at 31 December 2019 had no interests in the shares, debentures or loan stock of the company.

Political donations

The Company made no political donations or incurred any political expenditure during the year (2018 \$0).

Accounting records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the company are maintained at the Company's principal place of business in Ireland at Riverside One, Sir John Rogerson's Quay, Dublin, D02 X576, Ireland.

Relevant audit information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the company's statutory auditors are aware of that information in compliance with S322 of the Companies Act. In so far as they are aware, there is no relevant audit information of which the company's statutory auditors are unaware.

Auditors

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

Approved by the board and signed on its behalf by:



Brian Chapman



Rajdeep Patara

Date: 18 November 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the directors' report and financial statements in accordance with applicable law and regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with 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 assets, liabilities and financial position of the Company and of its profit or loss for that year. 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 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit and loss of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2014. They are also responsible 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. The directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

On behalf of the Board

Directors



Brian Chapman



Rajdeep Patara

Date: 18 November 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAE SYSTEMS (FUNDING FOUR) UNLIMITED COMPANY

Report on the audit of the financial statements

Opinion on the financial statements of BAE Systems (Funding Four) Unlimited Company (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Income Statement and Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 11, and including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAE SYSTEMS (FUNDING FOUR) UNLIMITED COMPANY (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAE SYSTEMS (FUNDING FOUR)
UNLIMITED COMPANY (continued)**

Opinion on other matters prescribed by the Companies Act 2014

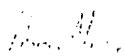
Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



.....
Thomas Murray BSc FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Abbots' House, Abbey Street,
Reading, RG1 3BD.

18 November 2020

**Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2019**

	Notes	2019 \$	2018 \$
Revenue	2	349,618	323,475
General and Administrative Costs		(66,658)	(75,785)
Operating Profit		282,960	247,690
Interest Payable and Similar Expenses	3	(8,705)	(18,965)
Profit on ordinary activity before taxation	4	274,255	228,725
Tax charge on profit on ordinary activities	5	(12,760,185)	(77,470)
(Loss) / Profit for the financial year		(12,485,930)	151,255
Other comprehensive income		-	-
Total comprehensive (expense) / income for the year		(12,485,930)	151,255

The notes on pages 12 to 16 form part of the financial statements.

The results for 2019 and 2018 arise from continuing activities.

Balance Sheet
as at 31 December 2019

	Notes	2019 \$	2018 \$
Current assets			
Trade and other receivables (all due within 1 year)	6	2,710,541,148	2,710,263,050
Cash and cash equivalents		127,268	176,069
Total assets		2,710,668,416	2,710,439,119
Current liabilities			
Trade and other payables	7	(12,745,268)	(30,041)
Total liabilities		(12,745,268)	(30,041)
Net Assets		2,697,923,148	2,710,409,078
Capital and reserves			
Issued share capital	8	2,710,000,002	2,710,000,002
Retained (Loss) / Profit		(12,076,854)	409,076
Total equity		2,697,923,148	2,710,409,078

Approved by the Board on 18 November 2020 and signed on its behalf by:

On behalf of the Board

Directors



Brian Chapman



Rajdeep Patara

Date: 18 November 2020

Registered number: 522125

**Statement of Changes in Equity
for the year ended 31 December 2019**

	Issued share capital	Retained (Loss)/Profit	Total equity
	\$	\$	\$
At 1 January 2018	2,710,000,002	257,821	2,710,257,823
Total Comprehensive (expense) / Income for the year	-	151,255	151,255
At 31 December 2018	2,710,000,002	409,076	2,710,409,078
Total Comprehensive (expense) / Income for the year	-	(12,485,930)	(12,485,930)
At 31 December 2019	2,710,000,002	(12,076,854)	2,697,923,148

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

1 ACCOUNTING POLICIES

BAE Systems (Funding Four) Unlimited Company (the "Company") is a private company, registered in the Republic of Ireland. The company's registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2. The Company provides finance to other group companies with company funds not immediately required by it.

Basis of preparation

These financial statements have been prepared using the going concern basis of accounting. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2014. They are presented in United States Dollar and rounded unless otherwise stated. The functional currency of the company is United States Dollar as this is the functional currency of its shareholder (BAE Systems (Funding Two) Ltd). It is also the currency of its principal assets, being its loan to BAE Systems (Funding Three) Ltd. and the loan to BAE Systems (Funding Two) Ltd. Although its expenses are denominated in EUR they are relatively small in comparison with its assets.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and certain related party transactions. Where relevant, equivalent disclosures have been given in the group accounts as noted in note 9.

- 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 IFRS 7, Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13, Fair Value Measurement;
- 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 the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures; and
- 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.

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

Adoption of New and Revised Standards:

IFRS 16 Leases became effective on 1 January 2019.

Basis of Accounting:

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 cost convention, as modified by the revaluation of relevant financial assets and financial liabilities (including derivative instruments). These financial statements have been prepared using the going concern basis of accounting.

Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The directors believe that the financial statements reflect appropriate judgements and estimates, and provide a true and fair view of the Company's financial performance and position.

Interest income and borrowing costs

Interest income and borrowing costs are recognised in the Income Statement in the period in which they are incurred. The average interest rate for its interest bearing loans for 2019 was 3.45% (2018, 3.19%).

Dividends

Dividend 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

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 rate ruling at the Balance Sheet date. These exchange differences are recognised in the Income Statement.

Trade and other receivables

Trade and other receivables are stated at amortised cost including a provision for expected credit losses. The company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

The Company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery, for example, when a debtor enters bankruptcy or financial reorganisation.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. Cash equivalents are short-term highly liquid investments with an original maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Trade and other payables

Trade and other payables are stated at amortised cost. Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Taxation

Tax expense comprises current tax. Current 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. It is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of the previous years. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors consider that there were no critical accounting judgements in applying the Company's accounting policies and that in respect of financial assets (debtors) impairment, there are no key sources of estimation uncertainty.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

2. REVENUE

	31 December 2019	31 December 2018
	US \$	US \$
Interest earned on loan to parent undertaking	<u>349,618</u>	<u>323,475</u>

3. INTEREST PAYABLE AND SIMILAR EXPENSES

	31 December 2019	31 December 2018
	US \$	US \$
Foreign exchange profit / (loss)	<u>(8,705)</u>	<u>(18,965)</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation, all of which arises from continuing operations, is stated after (charging)/crediting:

	31 December 2019	31 December 2018
	US \$	US \$
Directors' remuneration	(9,954)	(13,532)
Audit of the Financial Statements	<u>(3,367)</u>	<u>(3,430)</u>

The remuneration of the auditor for the year ended 31 December 2019 for auditing the financial statements was \$3,367 (2018: \$3,430) and \$nil (2018: \$nil) in respect of non-audit work.

The Company had no employees during the year (2018, 0 employees).

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The Company has provided for Irish corporation tax for the year as follows:

	31 December 2019	31 December 2018
	US \$	US \$
Current Tax	(22,381)	(77,470)
Overseas Current Tax	<u>(12,737,804)</u>	<u>-</u>
Total tax charge	<u>(12,760,185)</u>	<u>(77,470)</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

The factors influencing the tax charge for the year are explained below:

	31 December 2019 US \$	31 December 2018 US \$
Profit on ordinary activities before taxation	<u>274,255</u>	<u>228,725</u>
Tax charge on profit at Irish rate of 25%	(68,564)	(57,181)
Expenses not deductible for tax	(17,794)	(20,289)
Imputed Interest (income)	(26,225,197)	-
Losses received from fellow group companies	9,528,906	-
Effect of UK tax rate on items subject to UK corporation tax	<u>4,022,464</u>	<u>-</u>
Total tax charge for the year	<u>(12,760,185)</u>	<u>(77,470)</u>

6. TRADE AND OTHER RECEIVABLES

	31 December 2019 US \$	31 December 2018 US \$
<i>Amounts repayable within one year:</i>		
Non-Interest bearing unsecured loan to fellow subsidiary	2,700,000,000	2,700,000,000
Interest bearing unsecured loan to parent undertaking	10,000,000	10,000,000
Accrued interest income on loan to parent undertaking	808	1,058
Amounts due from fellow subsidiary	<u>540,340</u>	<u>261,992</u>
Total Intra-group debtors	<u>2,710,541,148</u>	<u>2,710,263,050</u>
Total debtors	<u>2,710,541,148</u>	<u>2,710,263,050</u>

Amounts payable from parent undertaking and fellow subsidiary are repayable on demand. The interest payable on the interest bearing unsecured loan of US\$10,000,000 is payable at a floating rate. The interest rate for the loan is 3 months LIBOR plus 100bp

7. TRADE AND OTHER PAYABLES (Amounts falling due within one year)

	31 December 2019 US \$	31 December 2018 US \$
Amounts owed to trade creditors	(7,729)	(8,141)
Current taxation	(12,737,539)	(21,900)
Total Trade and Other Payables	<u>(12,745,268)</u>	<u>(30,041)</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

8. AUTHORISED AND ISSUED SHARE CAPITAL

	31 December 2019 US \$	31 December 2018 US \$
Authorised 4,000,000,000 Ordinary shares of \$1 each	<u>4,000,000,000</u>	<u>4,000,000,000</u>
Allotted, issued and fully paid 2,710,000,002 Ordinary shares of \$1 each	<u>2,710,000,002</u>	<u>2,710,000,002</u>

Entity	Ordinary Shares Issued	Denomination	Paid Up or Consideration Outstanding
BAE Systems (Funding Two) Limited	1	US \$1	Paid up
BAE Systems Nominees Limited	1	US \$1	Consideration outstanding
BAE Systems (Funding Two) Limited	10,000,000	US \$1	Consideration paid up by way of the creation of interest bearing inter-company unsecured loan at a floating interest rate.
BAE Systems (Funding Two) Limited	2,700,000,000	US \$1	Consideration paid up by way of the creation of non-interest bearing inter-company unsecured loan.
	<u>2,710,000,002</u>		

9. ULTIMATE HOLDING UNDERTAKING AND HOLDING UNDERTAKING OF LARGER GROUP RELATED PARTY TRANSACTIONS

The immediate parent company is BAE Systems (Funding Two) Limited and the ultimate parent company is BAE Systems plc, both of which are incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent company and controlling party is BAE Systems plc, a company registered in England and Wales under registration number 1470151 with registered address 6 Carlton Gardens, London, SW1Y 5AD, United Kingdom, and listed on the London Stock Exchange. BAE Systems plc is the parent company of the largest and smallest group of undertakings for which group financial statements is drawn up and of which BAE Systems (Funding Four) Unlimited Company is a member. Copies of these financial statements are available from BAE Systems plc's registered address.

The company has taken advantage of the exemption available under IAS 24 'Related Party Disclosures' not to disclose related party transactions with members of the group that are wholly owned.

10. APPROVAL OF THE COMPANY FINANCIAL STATEMENTS

The Board of directors approved and authorised for issue the Company financial statements.

11. SUBSEQUENT EVENTS

The outbreak of the COVID-19 coronavirus was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020 and only after that date did major governments, such as the UK, start taking significant mitigating steps. As such the Company considers this to be a non-adjusting post balance sheet event. The full impact of the COVID-19 pandemic on medium- and long-term economic activity is not yet known, although is likely to be significant. The Company continues to monitor the impact on its business, however while the uncertainty continues, the Company is not able to quantify the possible financial effect of the pandemic. Some asset and liability carrying values may be impacted, particularly where they are reliant on management's use of estimates and judgements when applying accounting policies. Potential areas of the Company's financial statements which could be materially impacted may include, but are not limited to:

- Potential credit losses on receivables; the valuation of other financial assets and liabilities; and
- Amendments to existing provisions, or new provisions, being required as a consequence of the pandemic.