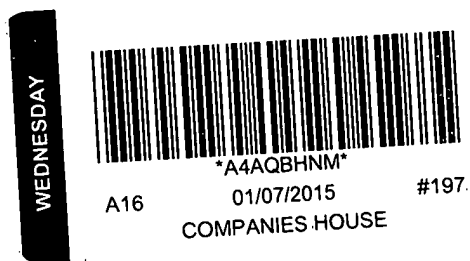


**BAE Systems (Farnborough 1) Limited**

Directors' report and financial statements

Registered number 02690233

31 December 2014



**BAE Systems (Farnborough 1) Limited**  
**Directors' report and financial statements**  
**31 December 2014**

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## **DIRECTORS' REPORT**

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

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. Accordingly, the Company has taken advantage of the exemption for preparing an enhanced business review applying to small companies.

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

As part of its involvement in certain agreements for the leasing of buildings at the Farnborough Aerospace Centre, Farnborough, Hampshire, the Company receives rental income which is used to pay amounts due to the ultimate landlord of the properties.

The Company is a wholly owned subsidiary undertaking of BAE Systems plc. There were no other transactions entered into by the Company during the year.

## **RESULTS AND DIVIDENDS**

The Company's profit before and after taxation is £nil (2013: £nil). The directors do not recommend payment of a dividend (2013: £nil).

## **GOING CONCERN**

The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

## **DIRECTORS**

The directors who served during the year and to the date of signing were:

D S Parkes  
A-L Holding

## **DISCLOSURE OF INFORMATION TO THE AUDITOR**

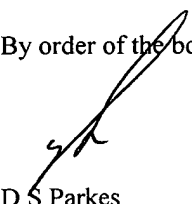
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken to make himself/herself 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

  
D S Parkes  
Director

Warwick House  
Farnborough Aerospace Centre  
Farnborough  
Hampshire GU14 6YU

Registered number 02690233

19 June 2015

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S 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 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;
- 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 (FARNBOROUGH 1) LIMITED**

We have audited the financial statements of BAE Systems (Farnborough 1) Limited for the year ended 31 December 2014 set out on pages 5 to 9. 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 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its result 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAE SYSTEMS (FARNBOROUGH 1) LIMITED (CONTINUED)**

### **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 in preparing the directors' report and 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 LLP**

Chartered Accountants

Edward VII Quay

Navigation Way

Ashton-on-Ribble

Preston

PR2 2YF

United Kingdom

*23 June 2015*

**BAE Systems (Farnborough 1) Limited**  
**Directors' report and financial statements**  
**31 December 2014**

**PROFIT AND LOSS ACCOUNT**

**Year ended 31 December 2014**

	Note	2014 £	2013 £
<b>TURNOVER</b>	2	9,791,637	9,619,837
Operating Expenses: Rent Payable in respect of operating leases		(9,791,637)	(9,619,837)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION</b>		<u>-</u>	<u>-</u>

The notes on pages 7 to 9 form part of these financial statements.

There have been no recognised gains and losses other than the results for the current and preceding period and accordingly, no statement of total recognised gains and losses is shown.  
All amounts derive from continuing activities.

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

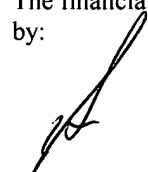
**BAE Systems (Farnborough 1) Limited**  
**Directors' report and financial statements**  
**31 December 2014**

**BALANCE SHEET**  
**As at 31 December 2014**

	Note	2014 £	2013 £
<b>CURRENT ASSETS</b>			
Debtors	5	401,376	396,437
<b>CREDITORS: amounts falling due within one year</b>	6	(401,374)	(396,435)
<b>NET ASSETS</b>		<u>2</u>	<u>2</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	<u>2</u>	<u>2</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>2</u>	<u>2</u>

The notes on pages 7 to 9 form part of these financial statements.

The financial statements were approved by the board of directors on 19 June 2015 and were signed on its behalf by:



D S Parkes  
Director

Registered number 02690233



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of accounting**

These financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

#### **Going Concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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

A new financial reporting framework in the UK was effective on 1 January 2015. As a result, BAE Systems (Farnborough 1) Limited has adopted FRS 101 Reduced Disclosure Framework for the year ending 31 December 2015. Whilst management is in the process of reviewing the impact that this new framework will have on the Company, it is not expected to have a material impact.

#### **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.

#### **Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### **Cash flow statement**

The Company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of BAE Systems plc, and its cash flows are included within the consolidated cash flow statement of that company.

#### **Foreign currencies**

Transactions in foreign currencies are converted at the rates then ruling or, where forward contracts have been arranged, at the contracted rates.

#### **Related party transactions**

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

### **2. TURNOVER**

Turnover is shown exclusive of VAT and represents rental income from operating leases.

**BAE Systems (Farnborough 1) Limited**  
**Directors' report and financial statements**  
**31 December 2014**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. DIRECTORS' EMOLUMENTS**

The directors received no emoluments in respect of services provided to the Company (2013: £nil). All directors who served during the year were employed by other Group companies and were remunerated through those companies.

**4. TAXATION**

No provision for current or deferred tax is required as the company does not make taxable profits

**5. DEBTORS**

	2014 £	2013 £
Amounts owed by group undertakings	2	2
Prepayments and accrued revenue	401,374	396,435
	<u>401,376</u>	<u>396,437</u>

**6. CREDITORS: amounts falling due within one year**

	2014 £	2013 £
Deferred income in respect of group undertakings	401,374	396,435
	<u>401,374</u>	<u>396,435</u>

**7. CALLED UP SHARE CAPITAL**

	2014 £	2013 £
Called up and fully paid: 2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

**8. RESERVES**

	Profit and loss account £
At 1 January 2014	-
Profit for the year	-
<b>At 31 December 2014</b>	<u>-</u>

**BAE Systems (Farnborough 1) Limited**  
**Directors' report and financial statements**  
**31 December 2014**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2014 £	2013 £
Opening and closing shareholders' funds	<u>2</u>	<u>2</u>

**10. COMMITMENTS UNDER OPERATING LEASES**

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

	2014 Land and buildings £	2013 Land and buildings £
Operating leases which expire:		
Within one year		
In the second to fifth years inclusive	9,846,288	9,796,576
Over five years		
	<u>9,846,288</u>	<u>9,796,576</u>

**11. FOREIGN EXCHANGE CONTRACTS**

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 1 such contract (2013: 1)

The contract held at 31 December 2014 commits the Company to buy US Dollars every three months over 3 years for a total net payment of £21,254,729. 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 £21,788,812.

**12. ULTIMATE PARENT COMPANY**

The directors consider BAE Systems (Holdings) Limited as the immediate parent company.

The Company is a wholly owned subsidiary undertaking of its ultimate parent company, 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 their registered office as follows:

BAE Systems plc  
6 Carlton Gardens  
Stirling Square  
London  
SW1Y 5AD