

BAE Systems (Gripen Overseas) Limited

Annual report and financial statements

31 December 2016

Registered number: 03473663



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Directors' report

The Directors' present their report, together with the audited financial statements, for the year ended 31 December 2016 and have taken advantage of the small companies' exemption in preparing the Directors' report.

Company registration

BAE Systems (Gripen Overseas) Limited is a private company, limited by shares and registered in England and Wales with the registered number 03473663.

Results and dividends

The Company's loss for the financial year is £39,358 (2015 loss £342,206). The directors do not propose a final ordinary dividend in respect of the current financial year (2015: £Nil).

Looking forward

The Company was providing in-country support services to a production contract for the Gripen aircraft held by BAE Systems (Operations) Ltd in Sweden and South Africa. Notwithstanding that the production contract will conclude later in 2017, at this time there is no expectation that this company will be required to provide any further services. Therefore the directors have taken the decision to commence the process to close the branches. This is ongoing in the Sweden branch and the resolution of any outstanding issues in the South Africa branch has commenced.

Going concern

In light of the comments above, the directors have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

Overseas branch offices

The Company has overseas branch offices in Sweden and South Africa.

Directors and their interests

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

D S Parkes

J P Thornber

The Board is not aware of any contract of significance in relation to the Company in which any director has, or has had, a material interest.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office and in accordance with section 487(2) of the Companies Act 2006, has been reappointed.

On behalf of the Board



D S Parkes
Director
19 May 2017

Registered office:
BAE Systems (Gripen Overseas) Limited
Warwick House
PO Box 87, Farnborough Aerospace Centre
Farnborough, Hampshire, GU14 6YU, England, United Kingdom

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 1, the directors do not believe that it is appropriate to prepare the financial statements on a going concern basis.

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 (Gripen Overseas) Limited

We have audited the financial statements of BAE Systems (Gripen Overseas) Limited for the year ended 31 December 2016 set out on pages 4 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), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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.

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 2016 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 matters prescribed by the Companies Act 2006

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

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

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.


Emphasis of matter- non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note.

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, Statutory Auditor
Chartered Accountants
KPMG LLP
Edward VII Quay
Navigation Way, Ashton-on-Ribble
Preston, PR2 2YF

24 May 2017

Income statement

for the year ended 31 December 2016

	Notes	2016 £	2015 £
Revenue		153,961	1,452,102
Operating costs	2	(187,996)	(1,392,683)
Operating (loss) / profit		(34,035)	59,419
Financial income	3	62	1,016
Financial expense	4	(141)	(4)
(Loss) / profit before taxation		(34,114)	60,431
Taxation expense	6	(5,244)	(402,637)
Loss for the year		(39,358)	(342,206)

Statement of comprehensive income

for the year ended 31 December 2016

	2016 £	2015 £
Loss for the year	(39,358)	(342,206)
Other comprehensive income		
Items that may be reclassified to the income statement:		
Currency translation on foreign currency branches	42,400	(10,976)
Total other comprehensive income/ (loss) for the year	42,400	(10,976)
Total comprehensive income / (loss) for the year	3,042	(353,182)

The notes on pages 7 to 11 form part of the financial statements.

The results for 2016 and 2015 are arising from discontinuing activities.

Balance sheet
as at 31 December 2016

	Notes	2016 £	2015 £
Current assets			
Trade and other receivables	8	161,338	12,736
Current tax		-	1,671
Cash and cash equivalents		139,827	128,138
Total assets		301,165	142,545
Current liabilities			
Trade and other payables	9	(164,844)	(13,206)
Current tax		(3,940)	-
Total liabilities		(168,784)	(13,206)
Net assets		132,381	129,339
Capital and reserves			
Issued share capital	10	4	4
Share premium	10	503,008	503,008
Other reserves	10	(103,346)	(145,746)
Retained earnings - deficit		(267,285)	(227,927)
Total equity		132,381	129,339

Approved by the Board on 19 May 2017 and signed on its behalf by:


D S Parkes
Director

Registered number: 03473663

Statement of changes in equity
for the year ended 31 December 2016

	Notes	Issued share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2015		3	399,405	(134,770)	114,279	378,917
Loss for the year		-	-	-	(342,206)	(342,206)
Total other comprehensive income for the year		-	-	(10,976)	-	(10,976)
Issue of share capital	10	1	103,603	-	-	103,604
At 31 December 2015		4	503,008	(145,746)	(227,927)	129,339
Loss for the year		-	-	-	(39,358)	(39,358)
Total other comprehensive income for the year		-	-	42,400	-	42,400
At 31 December 2016		4	503,008	(103,346)	(267,285)	132,381

Notes to the financial statements

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework. Amendments to FRS 101 (2014/15 cycle and other minor amendments) and Amendments to FRS 101 (2015/16 cycle) both effective for periods beginning on or after 1 January 2016 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the EU (EU-adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1, Presentation of Financial Statements;
- the requirements of IAS 7, Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24, Related Party Disclosures;
- the requirements in IAS 24, Related Party Disclosures, to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

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

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). In previous years, the financial statements have been prepared on a going concern basis. However, as the directors intend to close the branches during the foreseeable future, they have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Revenue

Revenue represents income derived from the provision of goods and services by the Company.

Goods supplied and services rendered

Revenue is measured at the fair value of the consideration received or receivable.

Revenue and profits on intercompany trading are determined on an arm's length basis.

Leases

Lease payments made under operating leases, including any incentives granted, are recognised in the income statement on a straight-line basis over the lease term.

Interest income and borrowing costs

Interest income and borrowing costs are recognised in the income statement in the period in which they are incurred.

Foreign currencies

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

The assets and liabilities of foreign currency branches are translated at the exchange rates ruling at the balance sheet date. The income statements of these branches are translated at average rates of exchange during the year. All resulting exchange differences are recognised in the foreign translation reserve.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Receivables with a short-term duration are not discounted.

A loss on provision for bad debt is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, call and term deposits.

Trade and other payables

Trade and other payables are stated at their cost.

Tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- related to investments in subsidiaries and equity accounted investments to the extent that it is probable that they will not reverse in the foreseeable future; and
- arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

2 Operating costs

	2016 £	2015 £
Staff costs (note 5)	146,629	774
Other operating charges	41,367	1,391,909
Operating costs	187,996	1,392,683

The remuneration of the auditor for the year ended 31 December 2016 for statutory audit work was £12,327 (2015 £7,278) and £752 (2015 £515) in respect of non-audit work.

Notes to the financial statements *(continued)*

3 Financial income

	2016 £	2015 £
Bank interest receivable	27	979
Other interest receivable	35	37
Financial income	62	1,016

4 Financial expense

	2016 £	2015 £
Interest payable	141	4
Financial expense	141	4

5 Employees

The Company has no employees. Staff costs relate to tax and social security payable by the Company for overseas secondees who have completed their assignments.

The aggregate staff costs of Company employees were as follows:

	2016 £	2015 £
Wages and salaries	-	774
Social security costs	146,629	-
	146,629	774

None of the directors received any emoluments from the Company during the year. All directors who served during the year were employed by other BAE Systems companies and were remunerated through those companies. The directors did not provide any material qualifying services to the Company.

Notes to the financial statements (continued)

6 Taxation expense

Taxation expense	2016 £	2015 £
Current taxation		
UK:		
Current tax	-	-
Double tax relief	-	-
	-	-
Overseas:		
Current tax	1,938	402,637
Adjustments in respect of prior years	3,306	-
	5,244	402,637
Taxation expense	5,244	402,637

Reconciliation of taxation expense

The following table reconciles the expected income tax expense, using the UK corporation tax rate, to the reported tax expense:

	2016 £	2015 £
(Loss) / profit before taxation	(34,114)	60,431
UK corporation tax rate	20.00%	20.25%
Expected income tax (income) / expense on (loss) / profit	(6,823)	12,237
Effect of tax rates in foreign jurisdictions	2,163	321,103
Losses surrendered to other group companies	10,943	74,408
Property, plant and equipment	(4,345)	(5,111)
Adjustments in respect of prior years	3,306	-
Taxation expense	5,244	402,637

7 Deferred tax

Unrecognised deferred tax asset

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

	2016 £	2015 £
Property, plant and equipment	16,825	20,697

The UK Corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, and will be reduced to 17% with effect from 1 April 2020. In line with this change, the rate applying to UK deferred tax assets and liabilities has been reduced from the prior year's enacted tax rate of 18% to 17%.

8 Trade and other receivables

	2016 £	2015 £
Current		
Prepayments and accrued income	158,724	4,905
Other receivables	2,614	7,831
	161,338	12,736

Notes to the financial statements (continued)

9 Trade and other payables

	2016 £	2015 £
Current		
Trade payables	909	1,249
Amounts owed to ultimate parent company	146,529	-
Accruals and deferred income	17,406	11,038
Other payables	-	919
	164,844	13,206

10 Share capital and other reserves

Share capital - Issued and fully paid	2016 £1 Ordinary shares No	2016 Nominal value £	2015 £1 Ordinary shares No	2015 Nominal value £
Ordinary shares of £1 each				
At 1 January	4	4	3	3
Issue of shares during the year	-	-	1	1
At 31 December	4	4	4	4
Share premium			2016 £	2015 £
At 1 January			503,008	399,405
Issue of shares during the year			-	103,603
At 31 December			503,008	503,008
Other reserves				Foreign translation reserve £
At 1 January 2015				(134,770)
Currency translation on foreign currency branches				(10,976)
At 31 December 2015				(145,746)
Currency translation on foreign currency branches				42,400
At 31 December 2016				(103,346)

11 Controlling parties

The immediate parent company is BAE Systems (Overseas Holdings) Limited and the ultimate parent company is BAE Systems plc. Both companies are incorporated in Great Britain and registered in England and Wales.

The consolidated accounts of BAE Systems plc are available to the public and may be obtained from:

6 Carlton Gardens
London
SW1Y 5AD

Website: www.baesystems.com