

BAE Systems Datagate Holdings Limited

Annual Report and Financial Statements

31 December 2017

Registered number: 04788209



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Directors' Report

The directors present their Report, together with the financial statements, for the year ended 31 December 2017.

Company registration

BAE Systems Datagate Holdings Limited (the "Company") is a private company, limited by shares and registered in England and Wales with the registered number 04788209.

Principal activities and business review

The Company acts as a holding company. During the year the Company recognised an impairment in the receivables due from its subsidiary BAE Systems Datagate Limited. The directors intend to dissolve the Company.

Dividends

The directors do not propose a dividend for 2017 (2016: £nil).

Going concern

The directors intend to dissolve the Company and therefore have not prepared the financial statements on a going concern basis. In order to prepare the financial statements on a break up basis no adjustments were necessary to the carrying values of the asset and liabilities of the business.

Directors and their interests

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

A P Varney

P C Burke (resigned 25 August 2017)

A W Morgan (appointed 2 May 2018)

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.

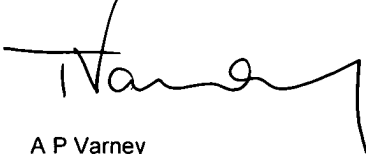
Disclosure of information to auditor

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 he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following an audit retender which concluded in 2017, Deloitte LLP was selected as the auditor for the BAE Systems Group. Accordingly it is intended that Deloitte LLP will be appointed to replace KPMG LLP as auditor for the year ending 31 December 2018.

On behalf of the Board



A P Varney

Director

15 May 2018

Registered office:
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; and
- make judgements and estimates that are reasonable and prudent.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Datagate Holdings Limited

Opinion

for the year ended 31 December 2017 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Other matter -Prior period financial statements

In forming our opinion on the financial statements, which is not modified, we note that the prior period financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these financial statements are unaudited.

Directors' Report

The directors are responsible for the Directors' Report. Our opinion on the financial statements does not cover that Report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' Report;
- in our opinion the information given in that Report for the financial year is consistent with the financial statements; and
- in our opinion that Report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of BAE Systems Datagate Holdings Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

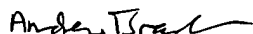
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Andrew Bradshaw
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL



05 JULY 2018

Income Statement

for the year ended 31 December 2017

	Notes	2017 £	2016 Unaudited £
Revenue		-	-
Operating costs	2	(663,088)	-
Loss before tax		(663,088)	-
Tax expense	4	-	-
Loss/result for the year		(663,088)	-

Statement of Comprehensive Income

for the year ended 31 December 2017

	2017 £	2016 Unaudited £
Loss/result for the year	(663,088)	-
Total other comprehensive income for the year (net of tax)	-	-
Total comprehensive loss for the year	(663,088)	-

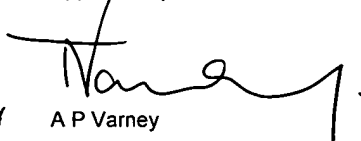
The notes on pages 9 to 12 form part of the financial statements.

Balance Sheet

as at 31 December 2017

	Notes	2017 £	2016 Unaudited £
Current assets			
Trade and other receivables	6	659,870	1,322,958
		659,870	1,322,958
Current liabilities			
Trade and other payables	7	(50,841)	(50,841)
		(50,841)	(50,841)
Net assets		609,029	1,272,117
Capital and reserves			
Issued share capital	8	1,000	1,000
Retained earnings		608,029	1,271,117
Total equity		609,029	1,272,117

Approved by the Board on 15 May 2018 and signed on its behalf by:


A P Varney
Director

Registered number: 04788209

Statement of Changes in Equity

for the year ended 31 December 2017

	Issued share capital £	Retained earnings £	Total equity £
At 1 January 2016	1,000	1,271,117	1,272,117
At 31 December 2016 (Unaudited)	1,000	1,271,117	1,272,117
Loss for the year	-	(663,088)	(663,088)
At 31 December 2017	1,000	608,029	609,029

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 issued September 2015. The amendments to FRS 101 (2015/16 cycle) issued in July 2016 and FRS 101 (2016/17 cycle) issued in July 2017 have no impact on the Company for the year ended 31 December 2017.

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 taken advantage of the FRS 101 disclosure exemptions where appropriate.

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

The directors intend to dissolve the Company, and, accordingly, the financial statements have not been prepared on a going concern basis.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, BAE Systems plc, a company registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual undertaking and not as a group.

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.

Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in the Income Statement 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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Investments

Fixed asset investments in shares in subsidiary undertakings and in shares in participating interests are stated at cost less provision for impairment.

The carrying amounts of the Company's investments are reviewed at each Balance Sheet date to determine whether there is any indication of impairment as required by IAS 36, Impairment of Assets. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement.

An impairment loss is only reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

Trade and other payables

Trade and other payables are stated at their cost.

2 Operating costs

	2017	2016
	£	Unaudited £
Impairment of receivables	663,088	-

The remuneration of the auditor for the year ended 31 December 2017 for auditing of the financial statements was £1,000 (2016: £nil) and £nil (2016: £nil) in respect of non-audit work and was borne by fellow group undertaking, BAE Systems (Operations) Limited.

3 Employees

None of the directors received any emoluments from the Company during the year. All directors who served during the year were employed by BAE Systems (Operations) Ltd and were remunerated through that company. The directors did not provide any material qualifying services to the Company.

The Company has no employees (2016: nil).

4 Tax

Current Tax

The Company has not provided for current tax for the year as any taxable profits will be covered by the surrender of losses from fellow subsidiary companies, in respect of which no payment will be made.

The following reconciles the expected tax result using the UK corporation tax rate, to the reported tax result.

	2017	2016
	£	Unaudited £
(Loss)/result before tax	(663,088)	-
UK corporation tax rate	19.25%	20.00%
Expected tax income on (loss)/result	127,644	-
Receivables impairment	(127,644)	-
Property, plant and equipment	-	139
Imputed interest (income)	(918)	(959)
Losses received from fellow group companies	918	820
Tax result	-	-

Notes to the Financial Statements (continued)

4 Tax (continued)

Deferred Tax

No provision for deferred tax is required.

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

	2017	2016
	£	Unaudited £
Property, plant and equipment	-	538

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. The rate applying to the unrecognised deferred tax asset at 31 December 2016 was 17%.

5 Investments

	Total £
Cost	
At 31 December 2016 and 31 December 2017	1,000
Provision for impairment	
At 31 December 2016 and 31 December 2017	(1,000)
Net book value	
At 31 December 2016 and 31 December 2017	-

During the year, management conducted an impairment review of the investment held by the Company. As a result of this review, no impairment charges were created and there were no impairment reversals.

The recoverable amount of the investments held by the Company has been calculated with reference to its value in use. The value in use calculations use risk-adjusted future cash flow projections based on the five-year Integrated Business Plan (IBP) and include a terminal value based on the projections for the final year of that plan, with growth rate assumptions in the range 0% to 2% applied. The IBP process includes the use of historic experience, available government spending data and the Group's order backlog. Pre-tax discount rates, derived from the Group's post-tax weighted average cost of capital of 6.6% (2016 7.01%) (adjusted for risks specific to the market in which the cash-generating unit operates), have been used in discounting these projected risk-adjusted cash flows.

Subsidiary undertaking and participating interest at 31 December 2017

In accordance with Section 409 of the Companies Act 2006, the subsidiary undertaking as at 31 December 2017 is disclosed below. This subsidiary undertaking is owned directly by the Company, has a financial year end of 31 December and the registered office address is Warwick House, PO Box 87, Farnborough Aerospace Centre, Farnborough, Hampshire, GU14 6YU, United Kingdom.

Company name	Class of shares held	Proportion of class (%)
BAE Systems Datagate Limited	Ordinary shares of £1	100

6 Trade and other receivables

	2017	2016
	£	Unaudited £
Current		
Intercompany loan	270,000	270,000
Amounts owed by fellow subsidiary companies	1,037,680	1,037,680
Provision against receivables from fellow subsidiary companies	(663,088)	-
Amounts due from other group companies	15,278	15,278
	659,870	1,322,958

Notes to the Financial Statements *(continued)*

7 Trade and other payables

	2017 £	2016 Unaudited £
Current		
Amounts due to parent company	126	126
Amounts due to subsidiary company	50,715	50,715
	50,841	50,841

8 Share capital

	£1 Ordinary shares	Nominal value £
Issued and fully paid		
At 1 January and 31 December 2017	1,000	1,000

9 Controlling parties

The immediate parent company is BAE Systems Australia Datagate Pty Limited, a company incorporated and registered in Australia and the ultimate parent company is BAE Systems plc. BAE Systems plc is incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by BAE Systems plc. The consolidated financial statements of BAE Systems plc are available to the public and may be obtained from:

6 Carlton Gardens
London
SW1Y 5AD

Website: www.baesystems.com

2017 Subsidiary Statutory Accounts – Change Control Record

First draft review

Reviewing Department	Name	Date of review
Group Finance		
Group Tax – Manager review		
Group Tax – Caroline Perman		
Company Secretariat		

Draft No	Details of changes since last draft ¹	Changed by
1	First version	Stephen Carter
3	Added audit report and P/L and costs note re impairment of assets	Shane Evans-pask
2Revised	Tax and comments adjusted	Shane Evans-pask

¹ e.g. Updated for draft 1 comments, updated for FRS 101 adjustments, updated for inclusion of tax note.