

BAE Systems (Holdings) Limited

Annual Report and Financial Statements

31 December 2019

Registered Number: 05265414

TUESDAY



A99A5KCI

A05

14/07/2020

#25

COMPANIES HOUSE

Contents

Strategic Report	3
Directors' Report	5
Directors' Responsibilities Statement	6
Independent Auditor's Report to the Members of BAE Systems (Holdings) Limited	7
Income Statement & Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Strategic Report

Review of business and principal activities

The principal activity of the Company is to act as a holding company for BAE Systems plc Group entities.

There has been no significant change in the nature or level of this activity during the period and the directors do not expect this to change significantly throughout the next financial period.

Key performance indicators

The Company is part of the BAE Systems Group (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. Specific principal risks and uncertainties facing the Company concern the possible impairment of the value of its investments.

The Company is part of the BAE Systems Group and the principal risks and uncertainties affecting the Group are discussed in more detail in the Annual Report of the Group.

The future potential impact of the COVID-19 pandemic on the Company is not yet known but may be significant. While the Company cannot currently quantify what the effects might be, it continues to monitor the pandemic and its impact, to ensure appropriate actions can be taken to mitigate risks to the Company and its subsidiaries.

The terms of the UK's relationship with the European Union (EU) after the end of the Transition Period on 31 December 2020 are currently uncertain, rendering it difficult for the Company to prepare in detail for the changes in the regulatory environment that are likely to apply beyond the Transition Period. However, near-term impacts for the Company are likely to be limited.

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 and subsidiary companies business, financial condition and results of operations. 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 Company and its subsidiaries have 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 Company and subsidiary companies may be affected.

The COVID-19 coronavirus pandemic could also result in changes to the outlook in the Company and subsidiary companies markets. Areas of the business that could be impacted include a decrease in defence spending by the Group's major customers, the failure to obtain awards for defence contracts, the failure of suppliers to deliver parts, the requirement for the Group or its suppliers to close plants, 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 Company and its subsidiary companies were unable to obtain appropriate funding, it could be forced to make reductions in spending, seek to extend payment terms with suppliers and/or suspend or curtail planned programmes. Any of the above could have a material adverse effect on the Company and its subsidiaries business, financial condition and results of operations.

Section 172(1) statement

This Statement contains an overview of how the directors have performed their duty to promote the success of the Company as set out in section 172(1) of the UK's Companies Act 2006. That section requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

Strategic Report (continued)

Decision Making

The Operational Framework sets out the principles of good governance to which BAE Systems group subsidiaries are required to adhere, together with BAE Systems group's values, policies and processes. Decisions affecting a subsidiary are required to be taken in line with the Operational Framework, including in accordance with applicable delegations of authority. In making such decisions the Directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the long term and the long-term reputation of the Company and its businesses.

Employees

The Company itself has no employees but is the parent of a group of companies with more than 250 employees ("Company's Group"). Through the implementation by the Company's Group of the BAE Systems Group-wide employee processes and policies referred to below, the Directors of the Company are satisfied that employee engagement is a primary focus for management of the Company's Group and that regard is had to the interests of employees – connecting employees to the strategy and purpose of the Company's Group and the BAE Systems Group and empowering them to contribute to improving performance and creating an environment in which everyone can fulfil their potential. The employees of the Company's Group are kept informed about what is happening across the BAE Systems Group (including the Company's Group) through the Group's intranet and through email, podcasts, newsletters, and leadership calls, notices and briefings.

These engagement and other activities regarding the interests of employees form part of the implementation by the Company's Group of the BAE Systems Group-wide employee engagement processes and policies which are described on pages 35-36, 83, 95-98 and 116 of BAE Systems plc's annual report 2019 (available at: www.baesystems.com/investors).

Fostering Business Relationships with Suppliers, Customers and Others

The Company is a holding company and thus has no suppliers and customers itself. The Directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the success of the Company's Group and are satisfied that the Company's Group has close relationships with its customers, suppliers and industry partners which help create best-in-class, cost-effective products, services and solutions.

The Company's Group's largest customers are government bodies and commercial businesses. Strong and collaborative relationships and regular contact by management with principal government and commercial customers help the Company's Group to identify its customers' requirements and help position it as a trusted provider. The Company's Group, together with its procurement and supply chain function, works with its suppliers and their supply chains to provide equipment, goods and services that meet its customers' requirements. These supplier relationships are often long-term due to the length of the product life-cycles and management meet with key suppliers and work with the BAE Systems group's procurement function to develop deeper relationships with business in the supply chain and develop strategic relationships with key suppliers.

The Community and the Environment

The Directors recognise the importance of leading a company that not only generates value for shareholders but also contributes to wider society. Through the Operational Framework the Directors are satisfied that the Company's Group implements the requirements of the BAE Systems group's Community Investment Policy, which looks to ensure the building and nurturing of mutually beneficial relationships between the Company's Group's business, its people and local stakeholders. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to the Company's Group and its employees, allowing them to make a positive difference and have an impact where it counts. The Directors recognise that the Company's Group's operations have an impact on the environment – from the energy and resources used, to the products supplied and the waste generated. As an organisation, the BAE Systems group is committed to reducing the environmental impact of our operations and products, minimising our environmental footprint and, in turn, decreasing our operational costs. Through the Operational Framework the Directors are satisfied that the Company's Group implements the requirements of the BAE Systems group's Environmental Policy, which details BAE Systems' commitment to high standards of environmental management.


These activities form part of the Company's Group's implementation of the BAE Systems group-wide community and environment processes and policies and the BAE Systems group's impacts thereon which are described in the Environment and climate change and Fostering strong community partnerships sections (pages 40-42) of BAE Systems plc's annual report 2019 (available at: www.baesystems.com/investors).

Maintaining a reputation for high standards of business conduct

The BAE Systems group aims to be a recognised leader in business conduct which helps us to earn and maintain stakeholder trust and sustain business success. The Directors consider it fundamental to maintain a culture focused on embedding responsible business behaviours. The Company's directors and all employees of the Company's Group are expected to act in accordance with the requirements of BAE Systems group policies, including the Code of Conduct, at all times. As well as being the right thing to do, this reduces the risk of compliance failure and supports the Company's Group in attracting and retaining high-calibre employees.

Detailed information on the BAE Systems group-wide business conduct processes and policies are described in BAE Systems plc's annual report 2019 (available at: www.baesystems.com/investors) and in particular the Our Values and Responsible Behaviour section on pages 38-39.

Approved by the Board and signed on its behalf by:



D S Parkes
Director

29 June 2020

Directors' Report

Company registration

BAE Systems (Holdings) Limited (the Company) is a private company, limited by shares and registered in England and Wales with the registered number 05265414.

Review of business and Principal activities

The Company is an investment holding company and is itself wholly owned by BAE Systems plc. Disclosures required under the Directors' Report have been made in the Strategic Report.

Results and dividends

The Company's profit for the financial year is £583,513,000 (2018 £914,201,000). During the year, an interim dividend of £604,000,000 was declared (2018 £869,000,000).

The directors propose a final dividend of £265,000,000 (2018 £365,000,000).

Financial Risk

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flow risks are discussed in detail within the BAE Systems plc Group accounts.

Going concern

After making due enquiries, 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. While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company and its ultimate parent entity, BAE Systems plc, continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. The impact on the Company to date is set out in note 12. Having undertaken these assessments, the directors consider that the Company will be able to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors and their Interests

The directors who served throughout the year and up to the date of this Report, were as follows:

P J Lynas (resigned 31 March 2020)

C N Woodburn

D S Parkes (appointed 1 April 2020)

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. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

The auditor, Deloitte LLP, has indicated its willingness to continue in office and, in accordance with Section 487(2) of the Companies Act 2006, has been re-appointed.

Approved by the Board and signed on its behalf by


D S Parkes
Director

29 June 2020

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

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BAE Systems (Holdings) Limited (the Company):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement and Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described 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 the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, 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 are required by ISAs (UK) to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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 respect of these matters.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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

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 (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our Report

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.



Peter McDermott FCA, Senior Statutory Auditor

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

29 June 2020

Income Statement & Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Operating costs	2	(34)	(37,403)
Operating loss		(34)	(37,403)
Income from subsidiary undertakings and participating interests	3	635,755	999,190
Profit before finance costs and tax		635,721	961,787
Financial expense	4	(52,208)	(47,586)
Profit before tax		583,513	914,201
Tax result	6	-	-
Profit for the year		583,513	914,201
Other comprehensive income		-	-
Total comprehensive income for the year		583,513	914,201

The notes on pages 11 to 21 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 £'000	2018 £'000
Non-current assets			
Investments	7	15,031,851	14,570,927
		15,031,851	14,570,927
Current assets			
Trade and other receivables	8	2,607,164	2,351,314
		2,607,164	2,351,314
Total assets		17,639,015	16,922,241
Non-current liabilities			
Trade and other payables	9	(1,640,000)	(1,372,000)
		(1,640,000)	(1,372,000)
Current liabilities			
Trade and other payables	9	(5,218,646)	(4,832,685)
Provisions	10	-	(1,000)
		(5,218,646)	(4,833,685)
Total liabilities		(6,858,646)	(6,205,685)
Net assets		10,780,369	10,716,556
Capital and reserves			
Issued share capital	11	1,625,074	1,625,074
Share premium		2,095,932	1,705,932
Other reserves	11	148,240	148,240
Retained earnings		6,911,123	7,237,310
Total equity		10,780,369	10,716,556

Approved by the Board on 29 June 2020 and signed on its behalf by:


S Parkes
Director

Registered number: 05265414

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

	Notes	Issued share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018		1,625,074	1,705,932	148,240	7,309,513	10,788,759
Total comprehensive income for the year		-	-	-	914,201	914,201
Capital contribution		-	-	-	51,596	51,596
Ordinary share dividends	11	-	-	-	(1,038,000)	(1,038,000)
At 31 December 2018		1,625,074	1,705,932	148,240	7,237,310	10,716,556
Total comprehensive income for the year		-	-	-	583,513	583,513
Shares issued		-	390,000	-	-	390,000
Capital contribution		-	-	-	59,300	59,300
Ordinary share dividends	11	-	-	-	(969,000)	(969,000)
At 31 December 2019		1,625,074	2,095,932	148,240	6,911,123	10,780,369

Retained earnings includes a non-distributable amount of £490,774,000 (2018 £434,028,000).

Capital contribution relates to the cost of share-based payments issued by the Company's ultimate parent company, BAE Systems plc, to employees of the Company's operating subsidiary companies. A share was also issued to BAE Systems plc during the year for consideration of £390,000,000.

Notes to the Financial Statements

1 Accounting policies

BAE Systems (Holdings) Limited (the Company) is a private company, limited by shares, and registered in England and Wales and incorporated in the United Kingdom. Its ultimate controlling party is BAE Systems plc. The address of the Company's registered office is shown on page 5. The principal activity of the Company is that of an investment holding company.

These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless otherwise stated, rounded to the nearest thousand.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework. The Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (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 requirement of paragraph 45(b) and 46 to 52 of IFRS 2 Share-based payment;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of International Accounting Standard (IAS) 1 Presentation of Financial Statements, to present comparative information in respect of: paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 Property Plant and Equipment; paragraph 118(e) of IAS 38 Intangible Assets; and paragraphs 76 and 79(d) of IAS 40 Investment Property;
- 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 requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

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

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.

Changes in accounting policies

IFRS 16 Leases became effective on 1 January 2019. Adoption of IFRS 16 had no impact on the Company as it is neither a lessor nor a lessee.

Several other standards, interpretations and amendments to existing standards became effective on 1 January 2019, none of which had a material impact on the Company.

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). The going concern basis has been applied in these financial statements.

Dividends

Dividends 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.

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.

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 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 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.

Trade and other payables

Trade and other payables are stated at their cost.

Tax

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. Current tax 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 previous years.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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.

Judgements made in applying accounting policies

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimates, that have had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The application of the Company's accounting policies requires the use of estimates. In the event these estimates prove to be incorrect, there may be an adjustment to the carrying amounts of assets and liabilities within the next financial year. The key risk of a material adjustment to the carrying amounts of assets and liabilities during 2020 relates to the determination of the recoverable amount of the Company's investments in assessing the investments for impairment. The recoverable amount of an investment is calculated with reference to its value in use. This calculation requires an assessment of future cash flows expected to be generated by the investment, as well as the appropriate discount rate to apply to these projections. Note 7 provides information on the key assumptions adopted by the Company in performing these calculations.

Notes to the Financial Statements (continued)

2 Operating costs

	2019 £'000	2018 £'000
Impairment of investments	-	(153,231)
Reversal of Impairment	-	116,828
Provision for additional investment in Reaction Engines Limited	-	(1,000)
Other costs	(34)	-
Operating costs	(34)	(37,403)

The remuneration of the auditor for the year ended 31 December 2019 for auditing of the financial statements was £7,700 (2018 £7,500), and for non-audit services £nil (2018 £nil). The auditor remuneration has been borne by BAE Systems plc, the ultimate parent company.

3 Income from subsidiary undertakings and participating interests

	2019 £'000	2018 £'000
Dividends received from Alvis Limited	32,033	93,514
Dividends received from BAE Systems (MEH) Limited	33,422	6,585
Dividends received from BAE Systems Holdings Inc.	288,213	312,261
Dividends received from MES Holdco Limited	102,014	102,014
Dividends received from BAE Systems (Funding Two) Limited	-	98,706
Dividends received from BAE Systems Enterprises Limited	153,671	263,360
Dividends received from BAE Systems (Military Air) Overseas Limited	23,737	20,000
Dividends received from BAE Systems (International) Limited	500	750
Dividends received from BAE Systems (Oman) Limited	-	76,000
Dividends received from BAE Systems Training Services Limited	2,000	1,000
Dividends received from BAE Systems Global Combat Systems Munitions Limited	-	25,000
Dividends received from BAE Systems (Insurance) Limited	165	-
Income from subsidiary undertakings and participating interests	635,755	999,190

4 Financial expense

	2019 £'000	2018 £'000
Foreign exchange losses	-	(349)
Interest payable to BAE Systems plc group companies	(52,208)	(47,237)
Financial expense	(52,208)	(47,586)

Notes to the Financial Statements *(continued)*

5 Employees

The average number of Company employees was nil (2018 nil).

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 plc and were remunerated through that company.

The directors did not provide any material qualifying services to the Company.

6 Tax

No provision for current tax is required. The Company has surrendered its tax losses to fellow group companies free of charge.

Reconciliation of tax expense

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

	2019 £'000	2018 £'000
Profit before tax	583,513	914,201
UK corporation tax rate	19.00%	19.00%
Expected income tax expense on profit	(110,867)	(173,698)
Investment impairments not tax effected	-	(6,917)
Income not subject to tax	120,793	189,846
Imputed interest expense	2,560	2,536
Expenses not tax effected	(6)	(190)
Losses (surrendered) to fellow group companies	(12,480)	(11,577)
Tax result	-	-

Notes to the Financial Statements (continued)

7 Investments

	Subsidiary companies £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2019	15,419,328	24,328	15,443,656
Additions	456,024	5,900	461,924
At 31 December 2019	15,875,352	30,228	15,905,580
Provision for impairment			
At 1 January 2019	(851,097)	(21,632)	(872,729)
Impairments	-	(1,000)	(1,000)
At 31 December 2019	(851,097)	(22,632)	(873,729)
Net book value			
At 31 December 2019	15,024,255	7,596	15,031,851
At 31 December 2018	14,568,231	2,696	14,570,927

During the year, an additional investment of £1,000,000 was made in Reaction Engines Limited which resulted in total ownership of 19.34%. An additional investment of £4,900,000 was also made in Sealand Support Services Limited, a joint venture between BAE Systems (Holdings) Limited, Northrup Grumman UK Limited and the Secretary of State for Defence of the United Kingdom and Northern Ireland, as represented by the Defence Electronics and Components Agency. Furthermore, an additional share was purchased in Detica Group Limited for consideration of £390,000,000. A new investment was also made in Prismatic Limited for £6,725,000 representing £2,275,000 paid in the year to acquire 51% of the company, with the remaining 49% to be acquired for £4,000,000 over the period 2020 to 2022.

At the Balance Sheet date, the carrying amount of the Company's investments was compared to its recoverable amount. As a result of this review there was no requirement to record any additional impairments. The impairment against Reaction Engines Limited of £1,000,000 was recorded in a prior year has been transferred against investments from provisions following the additional contracted investment during the year.

The recoverable amount of the investments held by the Company has been calculated with reference to their 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. 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 6.62% (2018 7.24%) (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.

Notes to the Financial Statements (continued)

7 Investments (continued)

Subsidiary undertakings and participating interests at 31 December 2019

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiary undertakings and significant holdings as at 31 December 2019 is disclosed below. Unless otherwise stated, all subsidiary undertakings and significant holdings are owned directly by the Company and have a financial year end of 31 December.

Subsidiaries – wholly-owned

4219 Lafayette, LLC¹⁴
4219 Lafayette Center Drive, Chantilly VA
20151, United States
Aerosystems International Limited¹
Lupin Way, Alvington, Yeovil, Somerset BA22
8UZ, United Kingdom
PO Box 3202, Main Gate, Dunlap Drive,
Mobile AL 36652, United States
Alvis Pension Scheme Trustees Limited
Alvis Limited¹
Alvis Vickers Limited
Armor Holdings Inc.³
2000 North 15th Street, 11th Floor, Arlington
VA 22201, United States
BAE Systems (Canada) Inc.
220 Laurier Avenue West, Suite 1200, Ottawa
ON K1P 5Z9, Canada
BAE Systems (Combat and Radar
Systems) Limited¹
4th Floor, St Paul's Gate, 22-24 New Street, St.
Helier, JE1 4TR, Jersey
BAE Systems (Corporate Air Travel)
Limited¹
BAE Systems (Defence Systems)
Limited¹
BAE Systems (Finance) Limited¹
BAE Systems (Funding Two) Limited¹
BAE Systems (Funding Three) Limited¹
BAE Systems (Gripen Overseas)
Limited¹
BAE Systems (Hawk Synthetic Training)
Limited¹
BAE Systems (Kazakhstan) Limited¹
BAE Systems (Land and Sea Systems)
Limited¹, 7
BAE Systems (Malaysia) Sdn Bhd
Level 25 Menara Hong Leong, No. 6 Jalan
Damanlela, Bukit Damansara, 50490 Kuala
Lumpur, Malaysia
BAE Systems (MEH) Limited¹
BAE Systems (Oman) Limited¹
BAE Systems (Operations) Limited¹
BAE Systems (Operations) Singapore
Pte Limited¹
One Marina Boulevard #28-00, Singapore
018989, Singapore
BAE Systems (Overseas Holdings)
Limited¹
BAE Systems (Poland) Sp. z o.o.
ul. Abp. A. Baraniaka 88, 61-131 Poznan,
Poland
BAE Systems (Projects) Limited¹
BAE Systems (Property Investments)
Limited¹
BAE Systems AB⁹
Box 5676, SE-114 86 Stockholm, Sweden
BAE Systems Applied Intelligence (Asia
Pacific) Pte Limited¹
United Square, 101 Thomson Road, #25-03/04,
307591, Singapore
BAE Systems Applied Intelligence
(Australia) Pty Limited¹
Level 12, 16-20 Bridge Street, Sydney NSW
2000, Australia
BAE Systems Applied Intelligence
(Belgium) NV¹
Geldenaaksebaan 329, B-3001, Heverlee,
Leuven, Belgium

BAE Systems Applied Intelligence
Canada Inc.
1959 Upper Water Street, Suite 900, Halifax
NS B3J 2X2, Canada
BAE Systems Applied Intelligence
(Connect) A/S¹
c/o Kromann Reumert, Sundkrogsgade 5,
Copenhagen East, 2100, Denmark
BAE Systems Applied Intelligence Inc.²
5th Floor, Suite 1920, 256 Franklin Street,
Boston MA 02110, United States
BAE Systems Applied Intelligence GCS
Inc.³
1676 International Drive, 10th Floor, Suite
1000, McLean VA 22102, United States
BAE Systems Applied Intelligence
(GCS) Limited¹
Surrey Research Park, Guildford, Surrey GU2
7YP, United Kingdom
BAE Systems Applied Intelligence
(Germany) GmbH¹
Mainzer Landstrasse 50, 60325 Frankfurt am
Main, Germany
BAE Systems Applied Intelligence
(Integration) Limited¹
Surrey Research Park, Guildford, Surrey GU2
7YP, United Kingdom
BAE Systems Applied Intelligence
(International) Limited¹
Priestley Road, Surrey Research Park,
Guildford, Surrey GU2 7YP, United Kingdom
BAE Systems Applied Intelligence
(Ireland) Limited¹
Level 5, Block 4, Dundrum Town Centre,
Sandyford Road, Dundrum, Dublin 16, D16
A4W6, Ireland
BAE Systems Applied Intelligence
(Japan) KK¹
1-12-32 Ark Mori Building, Akasaka, Manato-
ku, Tokyo, Japan, 107-6012
BAE Systems Applied Intelligence
Malaysia Sdn Bhd¹
Level 25, Menara Hong Leong, No. 6 Jalan
Damanlela, Bukit Damansara 5049D, Kuala
Lumpur, Malaysia
BAE Systems Applied Intelligence
(Spain) S.A.¹
Paseo de la Castellana, 141, Cuzco IV, 28046
Madrid, Spain
BAE Systems Applied Intelligence (UK)
Limited¹
BAE Systems Applied Intelligence
France SAS¹
19 Boulevard Malesherbes, 75008, Paris,
France
BAE Systems Applied Intelligence
Limited¹
Surrey Research Park, Guildford, Surrey GU2
7YP, United Kingdom
BAE Systems Applied Intelligence LLC¹⁴
8200 Greensboro Drive, 9th Floor, McLean VA
22102, United States
BAE Systems Applied Intelligence New
Zealand Limited¹
c/o Russell McVeagh, Vero Centre, 48
Shortland Street, Auckland Central, 1140, New
Zealand
BAE Systems Applied Intelligence US
Corps¹
440 Wheelers Farms Road, Suite 202, Milford
CT 06461, United States

BAE Systems Avionics Singapore Pte
Limited¹
One Marina Boulevard, #28-00, Singapore
018989, Singapore
BAE Systems Bofors AB¹
SE-691 80 Karlskoga, Sweden
BAE Systems Bofors Holdings Sdn Bhd¹
Level 21, Suite 21.01, The Gardens South
Tower, Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia
BAE Systems China (Exports) Limited¹
BAE Systems C-ITS AB¹
Box 5676, SE-114 86 Stockholm, Sweden
BAE Systems Communications
Solutions, LLC¹⁴
Knowledge Oasis, Building 4, Second Floor,
0402-Z427, Knowledge Oasis Muscat, PO Box
16, Postal Code 135, Muscat, Oman
BAE Systems Controls Inc.²
1098 Clark Street, Endicott NY 13760, United
States
BAE Systems Creole Inc.⁴
3701 Outlet Ctr. Drive, Suite 15, Sealy TX
77474-4904, United States
BAE Systems Display Technologies
Limited¹
BAE Systems do Brasil Ltda¹
SCN Quadra 5 Bloco A, Ed. Brasilia Shopping,
Torre Norte, Sala 426, Brasilia, DF CEP:70715-
900, Brazil
BAE Systems Electronic Systems
(Overseas) Limited¹
BAE Systems Electronics Limited¹
BAE Systems Enterprises Limited¹
BAE Systems (Funding Four) Unlimited
Company¹⁵
Riverside One, Sir John Rogerson's Quay,
Dublin
BAE Systems Finance B.V.¹
c/o IQ-EQ, Hoogoorddreef 15,
1101 BA Amsterdam, Netherlands
BAE Systems Finance Inc.³
1101 Wilson Blvd., Suite 2000, Arlington, VA
22209, United States
BAE Systems GCS International
Limited¹
BAE Systems Global Combat Systems
Bridging Limited¹
BAE Systems Global Combat Systems
Munitions Limited¹
BAE Systems Global LLC¹
1101 Wilson Blvd, Suite 2000, Arlington VA
22209, United States¹⁴
BAE Systems Hägglunds AB¹
SE-691 80, Karlskoga, Sweden
BAE Systems Hawaii Shipyards Inc.³
3049 Ualena Street, Suite 915, Honolulu HI
96819, United States
BAE Systems Holdings (South Africa)
(Pty) Limited¹
Central Office Park No. 5, 257 Jean Avenue,
Centurion, Gauteng, 0157, South Africa
BAE Systems Holdings B.V.¹
c/o IQ-EQ, Hoogoorddreef 15,
1101 BA Amsterdam, Netherlands
BAE Systems Holding GmbH¹
Hauptstrasse 48, 82433 Bad Kohlgrub,
Germany
BAE Systems Holdings Inc.^{1, 2}
1101 Wilson Blvd., Ste 2000, Arlington VA
22209, United States

Notes to the Financial Statements (continued)

7 Investments (continued)

Subsidiaries – wholly-owned (continued)

BAE Systems Holdings International LLC¹⁴
1101 Wilson Blvd, Ste 2000, Arlington VA 22209, United States
BAE Systems IAP Research Inc. 4400 Easton Commons Way, ste. 12, Columbus OH 43219, United States
BAE Systems Imaging Solutions Inc.²
1841 Zanker Road, Suite 50, San Jose CA 95112, United States
BAE Systems, Inc.³
1101 Wilson Blvd, Ste 2000, Arlington VA 22209, United States
BAE Systems India (Services) Private Limited¹²
#201, 2nd Floor, World Mark 2, Aerocity, NH-8, New Delhi – 110037, India
BAE Systems Information and Electronic Systems Integration Inc.³
65 Spit Brook Road, Nashua NH 03061, United States
BAE Systems Insurance (Isle of Man) Limited
Tower House, Loch Promenade, Douglas, IM1 2LZ, Isle of Man, United Kingdom
BAE Systems Integrated System Technologies (KSA) Limited
BAE Systems Integrated System Technologies (Overseas) Limited
BAE Systems Integrated System Technologies GmbH¹⁰
Hans-Stießberger-Str. 2b, 85540 Haar, Germany
BAE Systems Integrated System Technologies Limited
BAE Systems International Inc.²
1101 Wilson Blvd, Ste 2000, Arlington VA 22209, United States
BAE Systems Jacksonville Ship Repair LLC
8500 Heckscher Drive, Jacksonville FL 32226, United States
BAE Systems (Kuwait) Limited,
BAE Systems Land & Armaments Holdings LLC.³
2000 North 15th Street, 11th Floor, Arlington VA 22201, United States
BAE Systems Land & Armaments Inc.³
2000 North 15th Street, 11th Floor, Arlington VA 22201, United States
BAE Systems Land & Armaments L.P.¹⁴
2000 North 15th Street, 11th Floor, Arlington VA 22201, United States
BAE Systems Land Systems ATF Limited
BAE Systems Land Systems (Finance) Limited
BAE Systems Land Systems FMTV International Inc.⁴
1101 Wilson Blvd, Ste 2000, Arlington VA 22209, United States
BAE Systems Land Systems (Investments South Africa) Limited
BAE Systems Land Systems (Investments) Limited
BAE Systems Land Systems (Logistics) Limited
BAE Systems Land Systems Pinzgauer Limited
BAE Systems Land Systems Pinzgauer (Holdings) Limited
BAE Systems Land Systems (Ranges) Limited
BAE Systems Land Systems (Singapore Investments) Limited
BAE Systems Logistica Ltda
SCN Quadra 5 Bloco A, Ed. Brasília Shopping, Torre Norte, Sala 426, Brasília, DF CEP:70715-900, Brazil
BAE Systems MAI Turkey Hava Sistemleri A.Ş

Üniversiteler Mahallesi, Beytepe Lodumlu Köy Yolu Cad. No:5/348 Çankaya, Ankara, Turkey
BAE Systems Marine (Holdings) Limited
BAE Systems Marine (YSL) Limited
BAE Systems Marine Limited
BAE Systems Maritime Engineering & Services Inc.³
7330 Engineer Road, Suite A, San Diego CA 92111, United States
BAE Systems Norfolk Ship Repair Inc.³
750 West Berkley Avenue, Norfolk VA 23523, United States
BAE Systems Ordnance Systems Inc.³
4509 West Stone Drive, Kingsport TN 37660-9982, United States
BAE Systems Overseas Inc.³
1101 Wilson Blvd, Ste 2000, Arlington VA 22209, United States
BAE Systems Project Services Limited
BAE Systems Projects (Canada) Limited
BAE Systems Properties Limited
BAE Systems Protection Systems Inc.⁴
7822 South 46th Street, Phoenix AZ 85044, United States
BAE Systems Regional Aircraft (Japan) KK³
Minami Azabu T&F Building 8th Floor, 4-11-22 Minami Azabu, Minato-ku, Tokyo, Japan
BAE Systems Regional Aircraft Colombia SAS
c/o Brigard & Urrutia, Calle 70 A No. 4-41, Bogota, Colombia
BAE Systems Resolution Inc.⁴
3701 Outlet Ctr. Drive, Suite 15, Sealy TX 77474-4904, United States
BAE Systems RO Defense Inc.³
1801 Electronics Drive, Anniston AL 36207, United States
BAE Systems Rokar International Limited
PO Box 45059, 11 Hartom Street, Mount Hotzvim, 91450 Jerusalem, Israel
BAE Systems S&S Operations Inc.³
3701 Outlet Ctr. Drive, Suite 15, Sealy TX 77474-4904, United States
BAE Systems San Diego Ship Repair Inc.³
2205 East Belt Street, Foot of Sampson Street, San Diego CA 92113, United States
BAE Systems San Diego Ship Repair LLC
2205 East Belt Street, Foot of Sampson Street, San Diego CA 92113, United States
BAE Systems Serviços de Avionicos Ltda.
Rua Boa Vista, No. 254, 13th Floor, Suite 15, Centro, São Paulo, São Paulo 01014-907, Brazil
BAE Systems Shared Services Inc.³
11215 Rushmore Drive, Charlotte NC 28277, United States
BAE Systems Shared Services (Overseas) Limited,
BAE Systems Southeast Shipyards AMHC Inc.^{3,14}
8500 Heckscher Drive, Jacksonville FL 32226, United States
BAE Systems Southeast Shipyards Alabama LLC
8500 Heckscher Drive, Jacksonville FL 32226, United States
BAE Systems Surface Ships (Holdings) Limited,
BAE Systems Surface Ships Limited
BAE Systems Surface Ships (Projects) Limited
BAE Systems Surface Ships Intermediate Holdings Limited
BAE Systems Surface Ships Integrated Support Limited

BAE Systems Surface Ships International Limited⁹
BAE Systems Surface Ships Maritime Limited
BAE Systems Surface Ships Portsmouth Limited⁹
BAE Systems Surface Ships Projects (Malaysia) Sdn Bhd
Level 14, West Block, Wisma Golden Eagle Realty, 142-C, Jalan Ampang, 50450 Kuala Lumpur, Malaysia
BAE Systems Surface Ships Property Services Limited
BAE Systems Surface Ships Support Limited⁹
BAE Systems Surface Ships Hellas A.E.¹¹
3 Stratiou Tombra Street, Aghia Paraskevi, GR 153 42 Athens, Greece
BAE Systems Surface Ships (Overseas) Limited
BAE Systems SWS Defence AB
SE-691 80 Karlskoga, Sweden
BAE Systems Tactical Vehicle Systems LP¹⁴
3701 Outlet Ctr. Drive, Suite 15, Sealy TX 77474-4904, United States
BAE Systems Technology Solutions & Services Inc.³
520 Gaither Road, Rockville, Maryland, 20850, United States
BAE Systems Training Services Limited,
BAE Systems TVS Holdings Inc.³
3701 Outlet Ctr. Drive, Suite 15, Sealy TX 77474-4904, United States
BAE Systems TVS Holdings LLC¹⁴
3701 Outlet Ctr. Drive, Suite 15, Sealy TX 77474-4904, United States
BAE Systems TVS Inc.⁴
3701 Outlet Ctr. Drive, Suite 15, Sealy TX 77474-4904, United States
BAE Systems Zephyr Corporation²
c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, DE 19801, United States
BAE Systems Zephyr Second Corporation²
c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, DE 19801, United States
BAE Systems Zephyr Third Corporation²
c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, DE 19801, United States
BAE Systems Zephyr Fourth Corporation²
c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, DE 19801, United States
BAE Systems Zephyr Fifth Corporation²
c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, DE 19801, United States
Brabazon Limited
Buckfield Properties Limited
CPS International, Inc.⁴
c/o Benedetti & Benedetti, Comosa Building, 21st Floor, Ave. Samuel Lewis, PO Box 850120, Panama 5, Panama
Creole (Nigeria) Limited⁹
Tapa House (2nd Floor), 45, Imman Dauda St (Abosede Kuboye Crescent Entrance) Surulere, Lagos, Nigeria
Detica B.V.
Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam, Netherlands

Notes to the Financial Statements (continued)

7 Investments (continued)

Subsidiaries – wholly-owned (continued)

Detica Group Holdings (Ireland) Limited,
Level 5, Block 4, Dundrum Town Centre,
Sandyford Road, Dundrum, Dublin 16, D16
A4W6, Ireland
Detica Group Limited,
Detica Ireland Limited,
Level 5, Block 4, Dundrum Town Centre,
Sandyford Road, Dundrum, Dublin 16, D16
A4W6, Ireland
Detica Mexico S. de R.L. de C.V.
Torre Esmeralda II, Blvd Manuel Avila
Camacho No. 36 Piso 18, Lomas de
Chapultepec, 11000 D.F., Mexico
Detica Patent Limited
Level 5, Block 4, Dundrum Town Centre,
Sandyford Road, Dundrum, Dublin 16, D16
A4W6, Ireland
Detica Services, Inc.
8200 Greensboro Drive, 9th Floor, McLean VA
22102, United States
ETI Engineering, Inc.,
1676 International Drive, 10th Floor, Suite
1000, McLean VA 22102, United States
Häggglunds Vehicle GmbH
Ernst-Grote Strasse 13, 30916 Isernhausen,
Germany
H-B Utveckling, H-B Development AB
Nybrogatan 7, SE-114 34 Stockholm, Sweden
Hertfordshire Estates Limited
International Military Sales Limited
BAE Systems Saudi America Ltd.
Business Gate Building 7, Floor 1, Riyadh
11482, Saudi Arabia
Lemacrown Limited
MES Holdco Limited,
4th Floor, St. Paul's Gate, 22-24 New Street, St.
Helier JE1 4TR, Jersey
MES Interco,
Meslink Limited
Newcombe Properties Limited
Piper Group plc
Pitch Technologies AB
Repslagaregatan 25, SE-582 22 Linköping,
Sweden
Pitch Technologies Limited
Sweden House, 5 Upper Montagu Street,
London, W1H 2AG, United Kingdom
Port Solent Limited,
Port Solent Marina Limited,
Reflectone UK Limited,
15 Canada Square, London E14 5GL, United
Kingdom
Representaciones SSTs, CA,
Ave Francisco de Miranda, Centro Lido El
Rosal Oficina 71B, Caracas, Venezuela
Riptide Autonomous Solutions Canada
Company
1300-1969 Upper Water Street, Purdy's Wharf
Tower II, Halifax NS B3J 3R7, Canada
Royal Ordnance B.V.
c/o IQ-EQ, Hoogoorddreef 15,
1101 BA Amsterdam, Netherlands
Royal Ordnance (Crown Service)
Pension Scheme Trustees Limited
Royal Ordnance Senior Staff Pension
Scheme Trustees Limited
Salford Electrical Instruments Limited
Scenticivil Limited,
Sepia, LLC,
4219-120 Lafayette Center Drive, Chantilly VA
20151, United States
Silversky Technology Sdn. Bhd
Level 25, Menara Hong Leong, No. 6 Jalan
Damianlela, Bukit Damansara, 50490 Kuala
Lumpur, Malaysia

Stewart & Stevenson Operations
(Nigeria) Limited,
Tapa House (2nd Floor), 45, Imman Dauda St
(Abosede Kuboye Crescent Entrance),
Surulere, Lagos, Nigeria
Stewart & Stevenson TVS UK Limited
Support Solutions General Services and
Contracting Company/Limited Liability
company,
House No. 145, Street No. 1, Qtr. 611, Al
Andalous Area, Al Mansour, Baghdad, Iraq
The Leeds Partnership Limited
VSEL Birkenhead Limited
Warship Design Services Limited
Westover Controls Incorporated,
1098 Clark Street, Endicott NY 13760, United
States
BAE Systems (Farnborough 1) Limited,
BAE Systems (Farnborough 2) Limited,
BAE Systems (Farnborough 3) Limited,
BAE Systems (Consultancy Services)
Limited,
BAE Systems (Dynamics) Limited,
BAE Systems (Insurance) Limited,
BAE Systems (International) Limited,
BAE Systems (Military Air) Overseas
Limited,
BAE Systems India (Homeland Security)
Private Limited,
#201, 2nd Floor, World Mark 2, Aerocity, NH-8,
New Delhi – 110037, India
BAE Systems India (Technology) Private
Limited,
#201, 2nd Floor, World Mark 2, Aerocity, NH-8,
New Delhi – 110037, India
BAE Systems India (Ventures) Private
Limited,
#201, 2nd Floor, World Mark 2, Aerocity, NH-8,
New Delhi – 110037, India
BAE Systems Oman LLC,
PO Box 74, Postal Code 111, Seeb, Oman
BAE Systems Saudi Limited
PO Box 1732, Riyadh 11441, Saudi Arabia
British Aerospace (Far East) Limited,
Level 54, Hopewell Centre, 183 Queen's Road
East, Hong Kong
British Aerospace (Malaysia) Sdn Bhd,
Unit 30-01, Level 30, Tower A, Vertical
Business Suite, Avenue 3, Bangsar South,
No.8, Jalan Kerinchi, 59200 Kuala Lumpur,
Malaysia
Granada Enterprises Limited
PO Box 1732, Riyadh 11441, Saudi Arabia
PT. BAE Systems Services,
Wisma 46, Kota BNI, 34th Floor, Suite 34.01.A,
Jl. Jenderal Sudirman Kavling 71, Jakarta
10220, Indonesia
BAE Systems Applied Intelligence A/S
c/o Kromann Reumert, Sundkrogsgade 5,
Copenhagen East, 2100, Denmark
BAE Systems Ship Repair Inc.,
750 West Berkley Ave., Norfolk VA 23523,
United States
**Subsidiaries – not wholly-
owned**
Advanced National Company for Aircraft
Maintenance Limited (76.4728%)
PO Box 1732, Riyadh 11441, Saudi Arabia
BAE Systems Deployed Systems
Limited (60%)
BAE Systems Saudi Development and
Training Company Limited (74.9433%)
PO Box 67775, Riyadh 11517, Saudi Arabia

BAE Systems SDT (UK) Limited
(74.9433%)
International Systems Engineering
Company Limited (69.3013%)
PO Box 54002, Riyadh 11514, Saudi Arabia
Saudi Maintenance & Supply Chain
Management Company Limited (51%)
PO Box 1732, Riyadh 11441, Saudi Arabia
Overhaul and Maintenance Company
Holding (76.47%)
PO Box 1732, Riyadh 11441, Saudi Arabia
SMSCMC (UK) Limited (51%)
U.S. Munitions, LLC (51%)
1713 Burdette Crossing, Blue Springs MO
64015, United States

Equity accounted investments

BAE Systems (Aviation Services)
Limited (50%),
BAE Systems Strategic Aerospace
Services WLL (49%)
Building 52, Floor 2, Area 23,
Qatar Bin Al Fajaa, Doha, Qatar
Canadian Naval Support Limited (50%)
3099 Barrington Street, Halifax NS B3K 5M7,
Canada,
Flight Control System Management
GmbH (33.3%)
PO Box 801109, 81663 Munich, Germany
MBDA Holdings SAS (25%)
1 Avenue Réaumur, 92350 Le Plessis-
Robinson, France
Nurol BAE Systems Hava Sistemleri
Anonim Sirketi (49%)
Universiteler Mah, 1605. Cad. No: 3/1-3 06800,
Ankara, Turkey
Prismatic Ltd (51%),
2 Omega Park, Alton, GU34 2QE, United
Kingdom
Reaction Engines Limited (19.34%),
Hill House, 1 Little New Street, London, EC4A
3TR
Rheinmetall BAE Systems Land Limited
(45%)
Hadley Castle Works, PO Box 106, Telford, TF1
6QW
Sealand Support Services Limited
(33.33%),
MOD Sealand, Welsh Road, Sealand,
DEESIDE, Flintshire, CH5 2LS

Notes

1. Directly owned by BAE Systems (Holdings) Limited.
2. Ownership held in common stock.
3. Ownership held in common shares.
4. Ownership held in authorized shares.
5. Ownership held in class of B shares.
6. Ownership held in class of A shares and B shares.
7. Ownership held in class of A shares, B shares and preference shares.
8. Ownership held in ordinary shares and class of A shares.
9. Ownership held in ordinary shares and preference shares.
10. In members' voluntary liquidation.
11. In liquidation.
12. Year end 31 March.
13. Year end 30 September.
14. Unincorporated entity for which the address given is the principal place of business.
15. Unlimited company.
16. In strike off.

Notes to the Financial Statements (continued)

8 Trade and other receivables

	2019 £'000	2018 £'000
Current		
Amounts owed by group undertakings ¹	2,607,164	2,351,314
	2,607,164	2,351,314

¹ Amounts owed by group undertakings are payable on demand. No interest is applied to the amounts owed.

9 Trade and other payables

	2019 £'000	2018 £'000
Non-current		
Amounts owed to group undertakings ¹	1,638,000	1,372,000
Other payables	2,000	-
	1,640,000	1,372,000
Current		
Amounts owed to ultimate parent company ¹	1,683,210	1,320,316
Amounts owed to group undertakings ¹	3,533,436	3,512,369
Other payables	2,000	-
	5,218,646	4,832,685
	6,858,646	6,204,685

¹ Amounts owed to BAE Systems plc and group undertakings are payable on demand with the exception of the amounts shown as non-current which are repayable upon request by the lender giving not less than 12 months written notice or in one lump sum 25 years after the initial drawdown in 2030. Included in the amounts above are £3,346,860,000 in 2019 and £3,080,860,000 in 2018 which are interest bearing at LIBOR plus 0.5% to 1.0%. The remainder of the balances are non-interest bearing.

10 Provisions

	Legal, contractual and environmental £'000	Total £'000
Non-current	-	-
Current	(1,000)	(1,000)
At 1 January 2019	1,000	1,000
Created	-	-
Utilised	(1,000)	(1,000)
At 31 December 2019	-	-

Notes to the Financial Statements (continued)

11 Share capital and other reserves

Share capital

	Ordinary shares of £1 each	Nominal value £'000
Issued and fully paid		
At 1 January and 31 December 2019	1,625,074,089	1,625,074

Equity dividends

	2019 £'000	2018 £'000
Interim dividend for ordinary shares paid in the year	604,000	869,000
Prior year final dividend for ordinary shares paid in the year	365,000	169,000
	969,000	1,038,000

	2019 Dividend per share £	2018 Dividend per share £
Interim dividend for ordinary shares paid in the year	0.37	0.53
Prior year final dividend for ordinary shares paid in the year	0.22	0.10

The directors propose a final dividend of £265,000,000 (2018 £365,000,000).

Other reserves

	Share premium £'000	Capital reserve £'000	Total £'000
At 1 January 2019	1,705,932	148,240	1,854,172
Capital contribution	390,000	-	390,000
At 31 December 2019	2,095,932	148,240	2,244,172

Share premium reserve

During the year, one additional share was issued to BAE Systems plc for consideration of £390,000,000.

Capital reserve

The capital reserve comprises the capital contribution made towards the SilverSky acquisition in 2014.

12 Events after the reporting period

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. Potential areas of the Company's financial statements which could be materially impacted include, but are not limited to:

- Investments in other group companies
- Investments in equity accounted investments
- New provisions being required as a consequence of the pandemic.

Following the year end date of 31 December 2019, a capital restructuring exercise has been undertaken in relation to the Surface Ships companies within the BAE Systems Group. As part of this exercise, the Company has entered into a new interest free, repayable on demand loan for £601,376,000 from BAE Systems plc which is in addition to the existing interest bearing loan due to BAE Systems plc. The Company has also subscribed for one ordinary share of £1.00 in the share capital of BAE Systems Surface Ships (Holdings) Limited for £601,376,000 at a premium of £601,375,999.

Notes to the Financial Statements *(continued)*

13 Controlling parties

The immediate parent and ultimate controlling party is BAE Systems plc, a company incorporated in the United Kingdom and registered in England and Wales.

The consolidated financial statements of BAE Systems plc are available to the public and may be obtained from its registered address:

6 Carlton Gardens
London
SW1Y 5AD

Website: www.baesystems.com