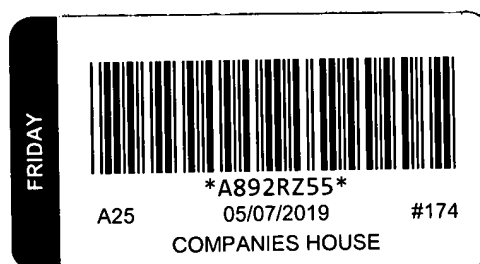


BAE Systems (Farnborough 2) Limited

Annual Report and Financial Statements

31 December 2018

Registered number: 02690234



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Directors' Report

Company registration

BAE Systems (Farnborough 2) Limited (the "Company") is a private company, limited by shares and registered in England and Wales with the registered number 02690234.

Principal activities and business review

The Company has been dormant, as defined in section 1169 of the Companies Act 2006, throughout the year under review.

Dividends

The directors do not propose a dividend for 2018 (2017: £nil).

Going concern

The Company has ceased to trade, and on this basis the financial statements have not been prepared on a going concern basis.

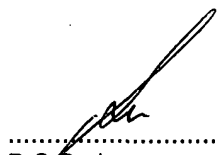
Directors and their interests

The directors who served throughout the year were as follows:

D S Parkes
A-L Holding

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.

Approved by the Board and signed on its behalf by:



.....
D S Parkes
Director

Date: 3 July 2019

Registered office:
Warwick House
PO Box 87
Farnborough Aerospace Centre
Farnborough
Hampshire
GU14 6YU
England
United Kingdom

Directors' Responsibilities Statement

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 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 (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 judgments 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 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.

Income Statement
for the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue		-	5,866,655
Operating costs	2	-	(5,866,655)
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
Result for the year		<hr/>	<hr/>
		<hr/>	<hr/>

Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	2018 £	2017 £
Result for the year		-	-
Other comprehensive expense			
Items that will not be reclassified to the Income Statement:			
Amounts charged to hedging reserve		-	(1,634,943)
Tax on items that may be reclassified to the Income Statement	4	-	314,727
Total comprehensive expense for the year (net of tax)		-	(1,320,216)
Total comprehensive expense for the year		-	(1,320,216)

The results for 2017 arise from discontinued activities.

The notes on pages 7 to 12 form part of these financial statements.

Balance Sheet
as at 31 December 2018

	Note	2018 £	2017 £
Current assets			
Trade and other receivables	5	2	2
Net assets		<u>2</u>	<u>2</u>
Capital and reserves			
Issued share capital	6	2	2
Total equity		<u>2</u>	<u>2</u>

For the year ended 31 December 2018 the Company was entitled to exemption from audit under section 480 of Companies Act 2006 relating to dormant companies.

Members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

Approved by the Board on 30 July 2019 and signed on its behalf by:


.....
D S Parkes
Director

Registered number: 02690234

Statement of Changes in Equity
for the year ended 31 December 2018

	Issued share capital	Other reserves	Total equity
	£	£	£
At 1 January 2017	2	1,320,216	1,320,218
Total other comprehensive income for the year	-	(1,320,216)	(1,320,216)
At 31 December 2017	<u>2</u>	<u>-</u>	<u>2</u>
At 31 December 2018	<u>2</u>	<u>-</u>	<u>2</u>

The notes on pages 7 to 12 form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

1.1 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 2018.

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 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.

1.2 Revenue and profit recognition

Revenue represents income derived from the rental of property by the Company.

Services rendered

Revenue is measured at the fair value of the consideration received or receivable, net of returns, rebates and other similar allowances

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

Leases

Lease income

Lease income under operating leases is recognised in the Income Statement on a straight-line basis over the lease term.

Lease Costs

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.

1.3 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency are stated at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Income Statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Notes to the Financial Statements

1. Accounting policies (continued)

1.4 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.

1.5 Tax

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

2. Operating costs

The operating costs is stated after charging:

	2018 £	2017 £
Other operating charges	/	5,866,655
Operating costs	-	5,866,655
Included within the above analysis are the following expenses:		
Lease and sublease expense	-	5,866,655

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 plc and were remunerated through that company. The directors did not provide any material qualifying services to the Company.

The Company has no employees (2017: nil).

Notes to the Financial Statements

4. Tax

No provision for current or deferred tax is required since the Company has been dormant throughout the year. The disclosures presented below show the comparative figures for the year ended 31 December 2017.

Reconciliation of tax result

A tax reconciliation has not been included as the expected tax expense for 2017 was equal to the accounting profit multiplied by the UK corporation tax rate of 19.25%.

Tax recognised in other comprehensive (expenses)

	2017 Before tax £	2017 Tax benefit £	2017 Net of tax £
Items that may be reclassified to the Income Statement:			
Amounts(charged)/credited to hedging reserve	(1,634,943)	314,727	(1,320,216)
	<u>(1,634,943)</u>	<u>314,727</u>	<u>(1,320,216)</u>
	2017 Other reserves £	2017 Retained earnings £	2017 Total £
Deferred tax			
Financial instruments	314,727	-	314,727
Tax on other comprehensive income	<u>314,727</u>	<u>-</u>	<u>314,727</u>

	At 1 January 2017 £	Recognised in equity £	At 31 December 2017 £
Financial instruments	<u>(314,727)</u>	<u>314,727</u>	<u>-</u>

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017. In line with this change the deferred tax asset was calculated at the tax rate that applied when the temporary difference reversed

Notes to the Financial Statements

5. Trade and other receivables

	2018 £	2017 £
Current		
Amounts owed by ultimate parent company	2	2
	<u>2</u>	<u>2</u>

6. Share capital and other reserves

	£1 Ordinary shares	Nominal value £
Issued and fully paid		
At 1 January and 31 December 2018	2	2
	<u>2</u>	<u>2</u>

Other reserves

	Hedging reserve £
At 1 January 2017	1,320,216
Amounts credited to hedging reserve	(1,634,943)
Tax on other comprehensive income	314,727
At 31 December 2017 and 31 December 2018	<u>-</u>

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes to the Financial Statements

7. Controlling parties

The immediate parent company is BAE Systems (Holdings) Limited and the ultimate parent company is BAE Systems plc which is both the smallest and largest parent company preparing group financial statements. Both companies are incorporated in Great Britain 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