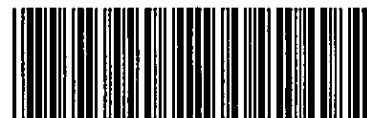


BAE SYSTEMS (OMAN) LIMITED

Directors' report and financial statements

31 December 2011

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BAE SYSTEMS (OMAN) LIMITED

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BAE SYSTEMS (OMAN) LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2011

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of aircraft spares

The Company's profit for the financial year is £13,767 (2010 Nil) The directors do not propose payment of a dividend (2010 £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company is part of the BAE Systems plc group and the principle risks and uncertainties affecting the Group are discussed in more detail in the annual report of the Group. The Directors do not consider that there are additional specific principal risks and uncertainties at the Company level

KEY PERFORMANCE INDICATORS

The Company is part of the BAE Systems plc 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 following additional key performance indicators have been used to review and monitor the Company

	2011 £	2010 £
Orderbook	840,490	-
Order Intake	1,545,242	-
Sales	704,752	-
Profit before tax PBT	13,767	-
Return on Sales	2%	-

GOING CONCERN

The directors have reviewed the current activity, future prospects and resources available to the Company. On the basis of their assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

FUTURE OUTLOOK

The Directors are confident about the future prospects of the Company

The Company's strategic plan is to continue to develop opportunities in the sale of defence related products and services to the Oman market

BAE SYSTEMS (OMAN) LIMITED

DIRECTORS' REPORT (CONTINUED)

SUPPLIER PAYMENT POLICY

It is Company policy that suppliers should be paid in accordance with the payment terms and conditions stated in the applicable purchase order. The Company, together with other BAE Systems companies in the UK, is a signatory to the government's Prompt Payment Code, under which it has undertaken to pay suppliers on time, give clear guidance on payment procedures and encourage the adoption of the code throughout its supply chain.

Supplier payments are made by another entity in the Group on behalf of BAE Systems (Oman) Limited.

DIRECTORS

The Directors who held office during the year and up to the date of signing the report were

P A Carr

A K Gilchrist

M J Wills (resigned 31 March 2012)

D A Cole (appointed 31 March 2012)

POLITICAL AND CHARITABLE DONATIONS

There were no political or charitable donations made in the year (2010 £nil)

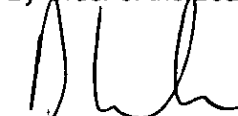
DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

KPMG Audit Plc has been appointed as auditor in the year. KPMG Audit Plc has indicated its willingness to continue in office and in accordance with section 487 (2) of the Companies Act 2006 has been reappointed.

By Order of the Board



D A Cole

Director

17 September 2012

Registered Number 03135337

Registered Office

Warwick House

PO Box 87

Farnborough Aerospace Centre

Farnborough

Hampshire

GU14 6YU

BAE SYSTEMS (OMAN) LIMITED

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)

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 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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

KPMG Audit Plc
St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of BAE Systems (Oman) Limited

We have audited the financial statements of BAE Systems (Oman) Limited for the year ended 31 December 2011 set out on pages 5 to 9. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

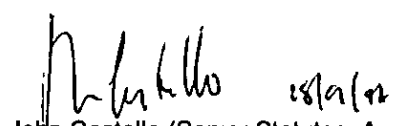
- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

- We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



John Costello (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Manchester

BAE SYSTEMS (OMAN) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December

	Note	2011 £	2010 £
TURNOVER	2	704,752	-
Operating costs		(690,985)	-
OPERATING PROFIT	3	13,767	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		13,767	-
Taxation on profit on ordinary activities	4	-	-
PROFIT FOR THE FINANCIAL YEAR	9	13,767	-

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and the historical cost equivalents

There were no recognised gains or losses for the period other than those reported above

The results for 2011 arise from continuing activities. The company did not trade in 2010

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

BAE SYSTEMS (OMAN) LIMITED

BALANCE SHEET As at 31 December

	Note	2011 £	2010 £
CURRENT ASSETS			
Debtors	5	264,453	2
Cash at bank and in hand		440,321	-
		<u>704,774</u>	<u>2</u>
CREDITORS: amounts falling due within one year	6	(691,005)	-
NET ASSETS		<u>13,769</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account	9	13,767	-
SHAREHOLDER'S FUNDS		<u>13,769</u>	<u>2</u>

These financial statements were approved by the Board of Directors on 17 September 2012 and were signed on its behalf by



DA Cole

Director

Registered Number 03135337

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

BAE SYSTEMS (OMAN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The going concern basis has been applied in these accounts.

Cash flow statement

Under the terms of Financial Reporting Standard 1 - Cash Flow Statements (revised), the Company is exempt from the requirement to publish its own cashflow statement because it is a wholly owned subsidiary and its cash flows are included within the publicly available consolidated financial statements of its ultimate parent, BAE Systems plc.

Turnover and profit recognition

Turnover comprises the value of work completed, goods supplied or services rendered during the year, net of value added tax.

Goods supplied and services rendered

Sales of goods and provision of services not under a long-term contract are recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer and revenue and costs can be reliably measured.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange rate ruling at the date of the transaction or, where forward cover contracts have been arranged, at the contracted rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on an undiscounted basis in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date where there is an obligation to pay more tax, or a right to pay less tax, in the future.

Related Parties transactions

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

Financial Instruments

The Company is a wholly owned subsidiary of BAE Systems plc, therefore it is exempt from presenting Financial Reporting Standards 29 – Financial Instruments Disclosures, as full equivalent disclosures are presented on a Group basis within the consolidated financial statements.

Segmental reporting

Under SSAP 25 the Company is exempt from making segmental disclosures as its parent company provides segmental information under IFRS.

BAE SYSTEMS (OMAN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

2. TURNOVER

The turnover and pre-tax profit, is attributable to one activity, the sale of aircraft spares

3. OPERATING PROFIT

The auditor's remuneration for the period ended 31 December 2011 was borne by a fellow Group company, BAE Systems (Operations) Limited

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The Company has not provided for corporation tax for the year as any profits will be covered by the surrender of losses from other Group companies, in respect of which no payment is to be made

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 26.5%

The differences are explained below

	2011 £	2010 £
Profit before taxation	13,767	-
	<hr/>	<hr/>
Tax (charge) on profit at UK rate of 26.5% (2010 – 28%)	(3,648)	-
Group relief received free of charge	3,648	-
	<hr/>	<hr/>
Current tax (charge) for the year	<hr/> - <hr/>	<hr/> - <hr/>

Provision for deferred tax is not required.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade debtors	264,451	-
Called up share capital not paid	2	2
	<hr/>	<hr/>
	<hr/> 264,453 <hr/>	<hr/> 2 <hr/>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Owed to fellow subsidiary undertakings	691,005	-
	<hr/>	<hr/>

BAE SYSTEMS (OMAN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

7. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Issued:		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

The Company's Article of Association were amended on 4 February 2011 and removed the requirement for the Company to have authorised share capital, the concept of which was abolished under the Companies Act 2006

8. DIRECTORS AND EMPLOYEES

The Directors are full time executives of other Group companies. They do not receive any remuneration for their services as directors of the Company and it is not practicable to allocate their emoluments for other services.

9. RESERVES – PROFIT AND LOSS ACCOUNT

	2011 £	2010 £
At 1 January 2011	-	-
Profit for the financial year	<u>13,767</u>	<u>-</u>
At 31 December 2011	<u>13,767</u>	<u>-</u>

10. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is BAE Systems (Holdings) Limited

The Company's ultimate controlling entity is BAE Systems plc, incorporated in Great Britain and registered in England and Wales

BAE Systems plc is the parent undertaking of the largest group of undertakings of which the Company is a member for which group accounts are prepared. Copies of the accounts of BAE Systems plc are available from its registered office at 6 Carlton Gardens, London SW1Y 5AD