

BAE Systems Display Technologies Limited

Annual Report and Financial Statements

31 December 2018

Registered number: 08457470



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Directors' Report

Company registration

BAE Systems Display Technologies Limited (the Company) is a private company, limited by shares and registered in England and Wales with the registered number 08457470.

Results and dividends

The Company's profit for the financial year is £185,000 (2017 profit £510,000). The directors do not propose a dividend for 2018 (2017: £nil).

Going concern

The Company ceased to trade on the 23 November 2018. It is the intention of the directors to dissolve the Company. As such the financial statements have been prepared on a basis other than going concern. Commensurate with the planned closure of the Company, the intention of directors is to proceed toward a Members Voluntary Liquidation thereafter.

Principal activities

The principal activities of the Company before it ceased to trade was the production and sale of cathode tube display units.

Small companies exemption

The Directors' Report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, and consequently a Strategic Report has not been prepared.

Directors and their interests

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

C J Hooper
L J Penford

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

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Directors' Report (continued)

Auditor

Following a Group audit retender by the Company's ultimate parent company, BAE Systems plc, Deloitte LLP was appointed as auditor to the Company on 10 September 2018.

Deloitte LLP have indicated their willingness to be re-appointed as the Company's auditor and a resolution proposing their re-appointment will be put to the members.

Approved by the Board and signed on its behalf by:



C J Hooper
Director

13 June 2019

Registered office:
BAE Systems Display Technologies Limited
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;
- state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

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 Display Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BAE Systems Display Technologies Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 14.

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.

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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.

Independent Auditor's Report to the Members of BAE Systems Display Technologies Limited (continued)

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.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the director's report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of BAE Systems Display Technologies Limited
(continued)

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.



Jon Thomson (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

Hill House
1 Little New Street
London
EC4A 3TR
13 June 2019

Income Statement
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	2	5,548	10,087
Operating costs	3	(5,363)	(9,577)
Operating profit		<u>185</u>	<u>510</u>
Tax expense	5	-	-
Profit for the year		<u><u>185</u></u>	<u><u>510</u></u>

All results arise from discontinued activities.

Statement of Comprehensive Income
for the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the year	185	510
Total comprehensive income for the year	185	510

The notes on pages 11 to 23 form part of these financial statements.

The results for 2018 and 2017 arise from discontinued activities.

Balance Sheet
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Current assets			
Property, plant and equipment	6	-	119
Inventories	7	-	1,199
Trade and other receivables	8	753	3,067
		<u>753</u>	<u>4,385</u>
Total assets		<u>753</u>	<u>4,385</u>
Current liabilities			
Trade and other payables	9	(58)	(692)
Provisions	10	-	(3,183)
		<u>(58)</u>	<u>(3,875)</u>
Net assets		<u>695</u>	<u>510</u>
Capital and reserves			
Issued share capital	11	-	-
Retained earnings		695	510
Total equity		<u>695</u>	<u>510</u>

Approved by the Board on 13 June and signed on its behalf by:


C J Hooper
Director

Registered number: 08457470

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

	Issued share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	-	125	125
Profit for the year	-	510	510
Ordinary share dividends	-	(125)	(125)
At 31 December 2017	-	510	510
Profit for the year	-	185	185
At 31 December 2018	-	695	695

Notes to the Financial Statements

1. Accounting policies

BAE Systems Display Technologies 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 2. The principal activity of the Company is set out in the Directors' Report on page 1.

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.

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 ("FRS 101"), Reduced Disclosure Framework issued in 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.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of 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)(iii), 134(d) 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.

Notes to the Financial Statements

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

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.

It is the intention of the directors to dissolve the Company. As such the financial statements have been prepared on a non-going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The directors believe that the financial statements reflect appropriate judgments and estimates, and provide a true and fair view of the Company's financial performance and position.

1.2 Revenue and profit recognition

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Company to customers in exchange for consideration in the ordinary course of the Company's activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract. The Company provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Given the bespoke nature of many of the Company's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are typically no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Company's pricing principles. Whilst payment terms vary from contract to contract, on many of the Company's contracts, an element of the transaction price is received in advance of delivery.

Notes to the Financial Statements

1. Accounting policies (continued)

1.2 Revenue and profit recognition (continued)

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Company determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

For each performance obligation to be recognised over time, the Company recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Company has determined that this method faithfully depicts the Company's performance in transferring control of the goods and services to the customer.

If the over-time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

1.3 Leases

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

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

1.4 Property, plant and equipment

Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of demonstration assets is written off as incurred.

Assets held for leasing out under operating leases are included in property, plant and equipment at cost less accumulated depreciation and impairment losses.

Notes to the Financial Statements

1. Accounting policies (continued)

1.4 Property, plant and equipment (continued)

Depreciation

Depreciation is provided, normally using the straight-line method, to write off the cost of property, plant and equipment over their estimated useful lives to any estimated residual value, using the following rates:

Buildings	- up to 50 years, or the lease term if shorter
Computing equipment and motor vehicles	- 4 to 5 years
Other equipment	- 10 to 20 years, or the project life if shorter

No depreciation is provided on freehold land and assets in the course of construction.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Impairment

The carrying amounts of the Company's property, plant and equipment are reviewed at each Balance Sheet date to determine whether there is any indication of impairment.

1.5 Impairment

The carrying amounts of the Company's intangible assets 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. For goodwill and intangible assets that are not yet available for use, impairment testing is performed annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Income Statement.

An impairment loss in respect of other intangible assets, property, plant and equipment, investment property and equity accounted investments is 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.

1.6 Inventories

Inventories are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Notes to the Financial Statements

1. Accounting policies (continued)

1.7 Trade, other and contract 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 trade 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.

Contract receivables represent amounts for which the Company has an unconditional right to consideration in respect of unbilled revenue recognised at the Balance Sheet date and comprise costs incurred plus attributable margin.

1.8 Trade and other payables

Trade and other payables are stated at amortised cost.

1.9 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 or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax 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.

1.9 Tax (continued)

Notes to the Financial Statements

1. Accounting policies (continued)

Deferred tax (continued)

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

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

1.10 Provisions

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

Reorganisations

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. The costs associated with the reorganisation programmes are supported by detailed plans and based on previous experience as well as other known factors. Future operating costs are not provided for.

Other

Other provisions include provisions for onerous contracts, which are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.~

1.11 Changes in accounting policies

IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers became effective on 1 January 2018. No adjustments were required to the previous period due to the adoption of this standard.

Several other standards, interpretations and amendments to existing standards became effective on 1 January 2018, none of which had a material impact on the Company.

Notes to the Financial Statements

2. Revenue

Revenue by reporting segment

	2018 £'000	2017 £'000
Intercompany	5,548	10,087
	5,548	10,087

Revenue by customer location

	2018 £000	2017 £000
United Kingdom	5,548	10,087
	5,548	10,087

3. Operating costs

	2018 £'000	2017 £'000
Raw materials, subcontracts and other bought-in items used	1,191	2,474
Change in inventories of finished goods and work-in-progress	650	154
Staff costs (note 4)	1,691	2,020
Depreciation, amortisation and impairment	119	112
Other operating charges	1,712	4,817
Operating costs	5,363	9,577
Included within the above analysis are the following expenses:		
Lease and sublease expense	235	240

The remuneration of the auditor for the year ended 31 December 2018 for auditing of the financial statements was £10,000 (2017 £10,098) and £nil (2017: £nil) in respect of non-audit work. As noted in the Directors' Report, Deloitte LLP was appointed as statutory auditor for 2018, replacing KPMG LLP, who resigned following the 2017 audit. Accordingly, references related to 2018 relate to Deloitte LLP and 2017 to KPMG LLP.

Notes to the Financial Statements

4. Employees

The monthly average number of Company employees was 39 (2017 48). The aggregate staff costs of Company employees were as follows:

	2018 £'000	2017 £'000
Wages and salaries	1,427	1,707
Social security costs	123	165
Pension costs	141	148
	1,691	2,020

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

5. 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 result

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

	2018 £'000	2017 £'000
Profit before tax	185	510
UK corporation tax rate	19.00%	19.25%
Expected tax (expense) on profit	(35)	(98)
Expenses not tax effected	1	2
Property, plant and equipment	84	(4)
Provisions and accruals	462	(399)
Imputed interest expense	(12)	(1)
Losses (surrendered)/ received from fellow group companies	(500)	500
Tax result	-	-

Notes to the Financial Statements

5. Tax (continued)

Deferred Tax

Provision for deferred tax is not required.

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

	2018 £'000	2017 £'000
Provisions and accruals	-	352
Property, plant and equipment	-	88
	<u>-</u>	<u>440</u>

The UK current tax rate was reduced from 20% to 19% with effect from 1 April 2017, and will be reduced to 17% with effect from 1 April 2020. In line with these changes the unrecognised deferred tax asset has been calculated at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws enacted or substantially enacted by the reporting date.

6. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January 2018	335	226	561
At 31 December 2018	<u>335</u>	<u>226</u>	<u>561</u>
Depreciation and impairment			
At 1 January 2018	264	178	442
Depreciation charge for the year	71	48	119
At 31 December 2018	<u>335</u>	<u>226</u>	<u>561</u>
Net book value			
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u>71</u>	<u>48</u>	<u>119</u>

Notes to the Financial Statements

7. Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	-	675
Short-term work-in-progress	-	489
Finished goods and goods for resale	-	35
	<u>-</u>	<u>1,199</u>

8. Trade and other receivables

	2018 £'000	2017 £'000
Current		
Amounts owed by ultimate parent company	753	2,176
Amounts owed by BAE Systems plc subsidiaries	-	737
Prepayments and accrued income	-	98
Other receivables	-	56
	<u>753</u>	<u>3,067</u>

9. Trade and other payables

	2018 £'000	2017 £'000
Current		
Trade payables	-	139
Amounts owed to BAE Systems plc subsidiaries	20	432
Accruals and deferred income	38	121
	<u>58</u>	<u>692</u>

Notes to the Financial Statements

10. Provisions

	Reorganisations £'000	Dilapidations £'000	Total £'000
Current	3,038	145	3,183
At 1 January 2018	3,038	145	3,183
Utilised	(3,038)	(145)	(3,183)
At 31 December 2018	-	-	-
Represented by:			
Current	-	-	-

Dilapidations

The other provision related to dilapidation costs of returning leased premises to the condition in which they were first occupied.

11. Share capital and other reserves

Share capital

	£1 Ordinary shares £	Nominal value £
Issued and fully paid		
At 1 January and 31 December 2018	1	1

Equity dividends

	2018 £'000	2017 £'000
Final dividend for ordinary shares paid in respect of the previous year	-	125
	-	125

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

Notes to the Financial Statements

12. Commitments

Operating lease commitments

The Company leased land and buildings under non-cancellable operating lease agreements. The leases had varying terms including escalation clauses, renewal rights and purchase options. None of these terms represent unusual arrangements or create material onerous or beneficial rights or obligations.

The future aggregate minimum lease payments under non-cancellable operating leases and associated future minimum sublease income are as follows:

	2018 £'000	2017 £'000
Not later than 1 year	-	240
	-	240

13. Changes in accounting policies

IFRS 9 Financial instruments – impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies; however, no adjustments were required to the amounts recognised in the financial statements in previous periods. The accounting policies applied from 1 January 2018 are set out in note 1.

Classification and measurement

On 1 January 2018, the Company has classified its financial instruments in the appropriate IFRS 9 categories.

Financial assets previously classified in the “loans and receivables” category and measured at amortised cost under IAS 39 (being amounts owed by BAE Systems plc and its subsidiaries) continue to be classified in the “amortised cost” category under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest.

Impairment of financial assets

The Company has one type of financial asset that are subject to IFRS 9's new expected credit loss model:

- amounts owed by BAE Systems plc and its subsidiaries

While amounts owed by BAE Systems plc and its subsidiaries, are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

There was no IFRS 9 impact on retained earnings at 1 January 2018.

Notes to the Financial Statements

14. Controlling parties

The immediate parent company is BAE Systems (Holdings) Limited and the ultimate controlling party is BAE Systems plc, which is both the smallest and largest parent company preparing group financial statements. Both companies are 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