

Alvis Limited

Annual Report and Financial Statements

31 December 2017

Registered Number: 00731159

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Directors' Report

Company registration

Avis Limited (the "Company") is a private company, limited by shares and registered in England and Wales with the registered number 00731159.

Review of business

The Company acts as a holding company and is itself wholly owned by BAE Systems plc.

Results and dividends

The Company's profit for the financial year is £93,518k (2016 profit £11,560k). The directors propose a dividend of £93,514k (2016 £11,560k).

Principal risks and uncertainties

As a holding company, there is a risk there could be a diminution in the value of the Company's investments.

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 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.

Going concern

After making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue 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 during the year and at the date of this Report were as follows:

M S Miller (resigned 15 June 2017)
A R Collins (appointed 15 June 2017)
J B Osbaldestin

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

Auditor

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

On behalf of the Board

A R Collins
Director



14 June 2018

Registered office:
Avis Limited
Warwick House
PO Box 87
Fairbrough Aerospace Centre
Fairbrough
Hampshire
GU14 6YU
United Kingdom

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Alvis Limited

Opinion

We have audited the financial statements of Alvis Limited (the "Company") for the year ended 31 December 2017 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' Report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Alvis Limited (continued)

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Evans
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One St Peters Square
Manchester
M2 3AE

15 June 2018

Income Statement

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Operating costs	2	(1)	(6,497)
Operating loss		(1)	(6,497)
Income from subsidiary undertakings and participating interests	3	93,489	18,057
Profit before finance costs and tax		93,488	11,560
Financial income	4	30	-
Profit before tax		93,518	11,560
Tax	6	-	-
Profit for the year		93,518	11,560

Statement of Comprehensive Income

for the year ended 31 December 2017

	2017 £000	2016 £000
Profit for the year	93,518	11,560
Total comprehensive income for the year	93,518	11,560

The notes on pages 9 to 14 form part of the financial statements.

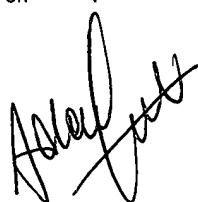
The results for 2017 and 2016 arise from continuing activities.

Balance Sheet
as at 31 December 2017

	Notes	2017 £000	2016 £000
Non-current assets			
Investments	7	106,835	106,234
		106,835	106,234
Current assets			
Other receivables	9	369,911	276,363
		369,911	276,363
Total assets		476,746	382,597
Current liabilities			
Other payables	10	(236,472)	(224,882)
		(236,472)	(224,882)
Total liabilities		(236,472)	(224,882)
Net assets		240,274	157,715
Capital and reserves			
Issued share capital	11	28,372	28,372
Share premium		5,315	5,315
Other reserves		37,014	37,014
Retained earnings		169,573	87,014
Total equity		240,274	157,715

Approved by the Board on 14th June 2018 and signed on its behalf by:

A R Collins
Director



Registered number: 00731159

Statement of Changes in Equity
for the year ended 31 December 2017

	Notes	Issued share capital £000	Share premium £000	Other reserves £000	Retained earnings ¹ £000	Total equity £000
At 1 January 2016		28,372	5,315	37,014	202,412	273,113
Profit for the year		-	-	-	11,560	11,560
Capital contribution		-	-	-	494	494
Ordinary share dividends	11	-	-	-	(127,452)	(127,452)
At 31 December 2016		28,372	5,315	37,014	87,014	157,715
Profit for the year		-	-	-	93,518	93,518
Capital contribution		-	-	-	601	601
Ordinary share dividends	11	-	-	-	(11,560)	(11,560)
At 31 December 2017		28,372	5,315	37,014	169,573	240,274

¹ The non-distributable portion of retained earnings is £76,054k (2016: £75,453k).

Notes to the Financial Statements

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with 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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, Business Combinations;
- 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)(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.

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

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Interest income and borrowing costs

Interest income and borrowing costs are recognised in the Income Statement in the period in which they are incurred.

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.

Investments

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

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

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

Impairment losses are recognised in the Income Statement.

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

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

Trade and other receivables

Trade and other receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Receivables with a short-term duration are not discounted.

A loss on provision for bad debt is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Trade and other payables

Trade and other payables are stated at their cost.

Tax

Tax expense comprises current and deferred tax. Current and deferred 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

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences:

- on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- related to investments in subsidiaries and equity accounted investments to the extent that it is probable that they will not reverse in the foreseeable future; and
- arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to 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 (continued)

2 Operating costs

	2017 £000	2016 £000
Impairment of investments	-	(6,496)
Other operating charges	(1)	(1)
Operating costs	(1)	(6,497)

The remuneration of the auditor for the year ended 31 December 2017 for auditing of the financial statements was £5,000 (2016 £5,000) and £nil (2016 £nil) in respect of non-audit work. These fees were borne by fellow group company, BAE Systems Global Combat Systems Limited.

3 Income from subsidiary undertakings and participating interests

	2017 £000	2016 £000
Interest receivable from BAE Systems plc group undertakings	-	30
Dividends received from BAE Systems Land Systems (Finance) Limited	29,696	17,094
Dividends received from BAE Systems Land Systems (Investments) Limited	63,793	933
	93,489	18,057

4 Financial income

	2017 £000	2016 £000
Interest receivable from BAE Systems plc group undertakings	30	-
	30	-

5 Employees

The average number of Company employees was nil (2016 nil).

The disclosures below represent an allocation of the emoluments received by the directors to reflect their qualifying services to the Company.

	2017 £'000	2016 £'000
Directors' remuneration	10	10
Company contributions to defined benefit pension schemes	1	1
	11	11

Retirement benefits are accruing to the following number of directors under:

	2017 Number of directors	2016 Number of directors
Defined benefit schemes	3	2

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 or BAE Systems Global Combat Systems Limited and were remunerated through those companies.

Notes to the Financial Statements (continued)

6 Tax

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

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

	2017 £000	2016 £000
Profit before tax	93,518	11,560
UK corporation tax rate	19.25%	20.00%
Expected tax on profit	(18,002)	(2,312)
Expenses not tax effected	-	(1,299)
Income not subject to tax	17,997	3,605
Imputed interest (income)	(306)	(440)
Losses received from fellow group companies	311	446
Tax result	-	-

The UK corporation tax rate has been reduced from 20% to 19% with effect from 1 April 2017.

7 Investments

	Subsidiary undertakings £000
Cost	
At 1 January 2017	112,730
Additions	601
At 31 December 2017	113,331
Provision for impairment	
At 1 January 2017 and 31 December 2017	(6,496)
Net book value	
At 31 December 2017	106,835
At 31 December 2016	106,234

Subsidiary undertakings and participating interests at 31 December 2017

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiary undertakings and significant holdings as at 31 December 2017 is disclosed below. Unless otherwise stated, all subsidiary undertakings and significant holdings represent ordinary shares, have a financial year end of 31 December and the address of the registered office is Warwick House, PO Box 87, Farnborough Aerospace, Farnborough, Hampshire GU14 6YU, United Kingdom.

Direct subsidiary undertakings and participating interests at 31 December 2017

Company name	Proportion of class (%)
BAE Systems Land Systems (Investments) Limited	100
BAE Systems Land Systems (Finance) Limited	100

Notes to the Financial Statements (continued)

7 Investments (continued)

Indirect subsidiary undertakings and participating interests at 31 December 2017

Company name	Proportion of class (%)
Alvis Vickers Limited	100
BAE Systems AB <i>Box 5676, SE-114 86 Stockholm, Sweden</i>	100
BAE Systems Bofors AB <i>SE – 691 80 Karlskoga, Sweden</i>	100
BAE Systems Bofors Holdings Sdn Bhd <i>Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia</i>	100
BAE Systems SWS Defence AB <i>SE – 691 80 Karlskoga, Sweden</i>	100
BAE Systems Hägglunds AB <i>SE – 691 80 Karlskoga, Sweden</i>	100
BAE Systems C-ITS AB <i>Box 5676, SE-114 86 Stockholm, Sweden</i>	100
Pitch Technologies AB <i>Repslagaregatan 25, SE-582 22 Linköping, Sweden]</i>	100
Pitch Technologies Limited <i>Sweden House, 5 Upper Montagu Street, London W1H 2AG</i>	100
Hägglunds Vehicle GmbH <i>Ernst-Grote Strasse 13, 30916 Isernhagen, Germany</i>	100
H-B Utveckling, H-B Development AB <i>Nybrogatan 7, SE-114 34 Stockholm, Sweden</i>	100
BAE Systems Land Systems (Logistics) Limited	100
BAE Systems Land Systems (Singapore Investments) Limited	100
BAE Systems Land Systems (Investments South Africa) Limited	100
BAE Systems Land Systems (Ranges) Limited	100
BAE Systems Global Combat Systems Limited	100
Alvis Pension Scheme Trustees Limited	100
BAE Systems Global Combat Systems Bridging Limited	100

8 Deferred tax

Provision for deferred tax is not required. The deferred tax asset of £1k has not been recognised on the Balance Sheet as this is thought to be immaterial within the total net assets of £240,274k.

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

	2017 £000	2016 £000
Accelerated capital allowances	1	2
Deferred tax asset	1	2

The UK corporation tax rate has been 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 deferred tax asset has been calculated at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws enacted or substantially enacted, by the reporting date.

Notes to the Financial Statements (continued)

9 Other receivables

	2017 £000	2016 £000
Current		
Amounts owed by BAE Systems plc subsidiaries	369,911	276,363
	369,911	276,363

10 Other payables

	2017 £000	2016 £000
Current		
Amounts owed to ultimate parent company	104,212	99,719
Amounts owed to BAE Systems plc subsidiaries	132,260	125,163
	236,472	224,882

11 Share capital and other reserves

Share capital

	£0.25 Ordinary shares	Nominal value £000
Issued and fully paid		
At 1 January and 31 December 2017	113,487,841	28,372

Equity dividends

	2017 £000	2016 £000
Final dividend for ordinary shares paid in respect of the previous year	11,560	127,452

The directors propose a dividend of £93,514,000 (2016: £11,560,000).

Other reserves

	Share premium £000	Capital reserve £000	Total £000
At 1 January 2016, 31 December 2016 and 31 December 2017	5,315	37,014	42,329

12 Controlling parties

The immediate parent company is BAE Systems (Holdings) Limited and the ultimate parent company is BAE Systems plc, which is the only parent company preparing group financial statements. Both companies are incorporated in Great Britain and registered in England and Wales.

The consolidated Annual Report of BAE Systems plc is available to the public and may be obtained from:

6 Carlton Gardens
London
SW1Y 5AD

Website: www.baesystems.com