

**BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**



**BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

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# **BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

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## **Directors' Report**

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The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

### **Principal activity**

The principal activity of the company is the supply and installation of microwave video distribution systems.

### **Review of the year**

Sales in the year related to the microwave video distribution contract in Qatar. The profit for the year before taxation amounted to £nil, (£nil for the year to 31 December 2003). The directors do not recommend the payment of a dividend, (2003:nil).

### **Directors**

The directors who served during the year and at the date of this report were:

N E Franks - resigned 7<sup>th</sup> March 2005

G F Munday - appointed 18<sup>th</sup> October 2004, resigned 7<sup>th</sup> March 2005

T G T West - resigned 7<sup>th</sup> March 2005

D S Parkes - appointed 7<sup>th</sup> March 2005

N R Hubbard - appointed 7<sup>th</sup> March 2005

A L Holding – appointed 7<sup>th</sup> March 2005

The beneficial, including family, interests of the directors at the end of the year in the ordinary shares, options to acquire ordinary shares and warrants to acquire ordinary shares of BAE SYSTEMS plc, the ultimate holding company, are shown below. None of the directors had any beneficial interest in the share capital of the company during the year, nor in the period from the year end to the date of this report. The Board is not aware of any contract of significance in relation to the group in which any director has, or has had, a material interest.

## Shares in BAE SYSTEMS plc

### Ordinary shares of 2.5p

	<u>1st January 2004 *</u>	<u>31st December 2004</u>
N E Franks	19,256	20,369
G F Munday	88	88
T G T West	1,609	1,609

### Share Options Schemes

	<u>1st January</u>			<u>31st December</u>	
	<u>2004 *</u>	<u>Lapsed</u>	<u>Granted</u>	<u>Exercise</u>	<u>2004</u>
				<u>d</u>	
N E Franks	434,629	-	226,275	(765)	660,139
G F Munday	47,339	-	-	-	47,339
T G T West	36,920	(1,165)	15,435	-	51,190

\* = 1st January or date of appointment if later

Normally the options are exercisable, conditional on the performance of BAE SYSTEMS plc, between 26 February 2000 and 22 May 2011, at subscription prices between £2.56 and £4.21 per share. Full details are contained in the register of directors' interests.

\* = 1st January or date of appointment if later

## Donations

No political or charitable donations were made in the year (2003: nil).

## Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the board



N R Hubbard  
Director

Registered Office:  
Warwick House  
PO Box 87  
Farnborough Aerospace Centre  
Farnborough  
Hampshire GU14 6YU

# **BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a 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.

## **Report of the Independent auditors to the members of BAE SYSTEMS Electronics Overseas Limited**

We have audited the financial statements on pages 6 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors**

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
8, Salisbury Square  
London EC4Y 8BB

*31 October 2005*

## **BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

### **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2004**

		<b>Year to 31 Dec 2004 £000</b>	<b>Year to 31 Dec 2003 £000</b>
	<b>Note</b>		
<b>Turnover</b>		222	-
Other external and operating charges		(222)	-
<b>Operating profit and profit on ordinary activities before taxation</b>		-	-
<b>Taxation on profit on ordinary activities</b>	2	-	-
<b>Retained profit for the year</b>		-	-
<b>Movement on profit and loss account reserve</b>			
At the beginning of the year		111	111
Retained profit for the year		-	-
<b>At end of the year</b>		<b>111</b>	<b>111</b>

In the opinion of the directors all turnover in 2004 is derived from one class of business in Qatar.

There were no recognised gains or losses other than those reported above. The above results relate entirely to the continuing activities of the company. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.


# BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

## BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2004

		31 Dec 2004	31 Dec 2003
	Note	£000	£000
<b>Current assets</b>			
Debtors	3	172	127
<b>Creditors : amounts falling due within one year</b>	4	(61)	(16)
		<hr/>	<hr/>
<b>Net current assets and net assets</b>		111	111
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	5	-	-
Profit and loss account		111	111
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	8	111	111
		<hr/>	<hr/>

Approved by the board of directors on 21/10/05

and signed on its behalf by:

  
N R Hubbard  
Director



# **BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. AUDITOR'S REMUNERATION**

The Audit fee has been borne by another group company in both years.

### **2. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

No provision for corporation tax or deferred tax is required.

### **3. DEBTORS**

	<b>31 Dec 2004 £000</b>	<b>31 Dec 2003 £000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	172	-
Amounts owed by holding and fellow subsidiary company	-	127
	<hr/>	<hr/>

### **4. CREDITORS**

	<b>31 Dec 2004 £000</b>	<b>31 Dec 2003 £000</b>
<b>Amounts falling due within one year</b>		
Payments received in advance	11	16
Amounts owed to holding and fellow subsidiary companies	50	-
	<hr/>	<hr/>
	61	16
	<hr/>	<hr/>

# **BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **5. CALLED UP SHARE CAPITAL**

	<b>Authorised £</b>	<b>Issued £</b>
<b>Share capital</b>		
At 1 January 2004 and 31 December 2004		
Equity: ordinary shares of £1 each fully paid	100	100

### **6. 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. The company has no other employees.

### **7. ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent company is BAE SYSTEMS plc. ("BAE SYSTEMS"), which is registered in England and Wales. The BAE SYSTEMS group is the only group of which the company is a member for which consolidated financial statements are prepared. Copies of the financial statements of BAE SYSTEMS are available from The Secretary, 6 Carlton Gardens, London, SW1Y 5AD.

Pursuant to the exemption granted by Financial Reporting Standard 8 'Related Party Disclosures', transactions with other undertakings within, and related parties of, the BAE SYSTEMS group have not been disclosed in these financial statements.

### **8. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	<b>Year to 31 Dec 2004 £000</b>	<b>Year to 31 Dec 2003 £000</b>
Profit for the year	-	-
Net increase in equity shareholders' funds	-	-
Opening equity shareholders' funds	111	111
Closing equity shareholders' funds	111	111

# **BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **9. ACCOUNTING POLICIES**

The financial statements have been prepared on the historical cost basis in accordance with applicable accounting standards in the United Kingdom. The company is a wholly owned subsidiary of BAE SYSTEMS plc. ("BAE SYSTEMS"), whose financial statements are publicly available, consequently the company is exempt under the terms of Financial Reporting Standard 1 from the requirement to publish its own cash flow statement.

The accounting policies, which have been consistently applied, are summarised below to facilitate the interpretation of the financial statements.

- a. **Turnover.** Turnover, excluding VAT, comprises sales to customers outside the BAE SYSTEMS group and arms-length inter-BAE SYSTEMS group sales. The company records transactions as sales when the delivery of products or performance of services takes place in accordance with the terms of sale.
- b. **Stocks and contracts in progress.** Stocks and contracts in progress are valued at the lower of cost, inclusive of appropriate overheads, and estimated net realisable value. Provisions are made for any losses incurred or expected to be incurred on uncompleted contracts as soon as they are foreseen. Profit on long-term contracts in progress is taken when a sale is recorded on part-delivery of products or part-performance of services, provided that the outcome of the contract can be assessed with reasonable certainty. Advance payments received from customers are shown as payments received in advance until there is a right of set-off against the value of work undertaken. Progress payments received are deducted from the value of work carried out, any excess being included within payments received in advance.
- c. **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.
- d. **Currency translation.** Non-sterling net assets are translated at year end rates of exchange unless they are covered by forward contracts where the contracted rate is used. All other exchange gains and losses are included in profit on ordinary activities.
- e. **Commitments.** The company had no capital commitments at either 31<sup>st</sup> December 2004 or 31<sup>st</sup> December 2003.