

Registration No. 771516

BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**



BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

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BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

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, this contract is closing out. The profit for the year before taxation amounted to £nil, (£nil for the year to 31 December 2004). The directors do not recommend the payment of a dividend, (2004:nil).

Directors

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

N E Franks	(resigned 7 March 2005)
G F Munday	(resigned 7 March 2005)
T G T West	(resigned 7 March 2005)
D S Parkes	(appointed 7 March 2005)
N R Hubbard	(appointed 7 March 2005)
A L Holding	(appointed 7 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.

Ordinary shares of 2.5p each of BAE Systems plc

Directors	Shares		Share options				At 31 st December 2005
	At 1st January 2005*	At 31st December 2005	At 1st January 2005*	Exercised	Lapsed	Granted	
D S Parkes	1,385	2,866	59,114	1,103	1,261	12,500	69,250
A L Holding	-	148	2,000	-	-	-	2,000
N R Hubbard	3,680	18,825	338,175	46,795	-	63,227	354,607

* Or later date of appointment

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

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

A L Holding
Director

26 October 2006

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

BAE SYSTEMS ELECTRONICS OVERSEAS 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.

The financial statements are required by law to 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 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 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 maintaining proper accounting records that 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

We have audited the financial statements of BAE SYSTEMS Electronics Overseas Limited for the year ended 31 December 2005 which comprise the Profit and loss account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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
LONDON

24 October 2006

BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2005

		Year to 31 Dec 2005 £000	Year to 31 Dec 2004 £000
	Note		
Turnover		11	222
Other external and operating charges		(11)	(222)
Operating profit and profit on ordinary activities before taxation		-	-
Taxation on profit on ordinary activities	3	-	-
Profit for the period		-	-
Movement on profit and loss account reserve			
At the beginning of the year		111	111
Profit for the period		-	-
At end of the year		111	111

In the opinion of the directors all turnover in 2005 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 profit for the year stated above, and their historical cost equivalents.

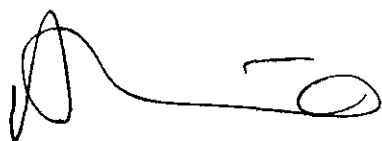
The notes on pages 9 to 11 form part of the financial statements

BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2005

		31 Dec 2005	31 Dec 2004
	Note	£000	£000
Current assets			
Debtors	4	161	172
Creditors : amounts falling due within one year	5	(50)	(61)
		<hr/>	<hr/>
Net current assets and net assets		111	111
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	6	-	-
Profit and loss account		111	111
		<hr/>	<hr/>
Equity shareholders' funds	9	111	111
		<hr/>	<hr/>

Approved by the board of directors on 26 October 2006 and signed on its behalf by:



A L Holding
Director

BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 28 Corresponding amounts

Adoption FRS 28 Corresponding amounts has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

- Basis of preparation.** The accounts are drawn up in accordance with applicable accounting standards under the historical cost convention.
- 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.
- 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.
- 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.
- 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.
- Commitments.** The company had no capital commitments at either 31st December 2005 or 31st December 2004.
- Cash flow statement.** The company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of BAE SYSTEMS plc, and its cash flows are included within the consolidated cash flow statement of that company.

BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

- h. **Related party transactions.** The company is exempt from the requirement of Financial Reporting Standard No. 8 to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties, as it is a wholly owned subsidiary undertaking of BAE SYSTEMS plc, whose consolidated financial statements are publicly available.

2. AUDITOR'S REMUNERATION

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

3. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

No provision for corporation tax or deferred tax is required.

4. DEBTORS

	31 Dec 2005 £000	31 Dec 2004 £000
Amounts falling due within one year:		
Trade debtors	161	172

5. CREDITORS

	31 Dec 2005 £000	31 Dec 2004 £000
Amounts falling due within one year		
Payments received in advance	-	11
Amounts owed to holding and fellow subsidiary companies	50	50
	<hr/> 50	<hr/> 61

6. CALLED UP SHARE CAPITAL

	Authorised £	Issued £
Share capital		
At 1 January 2005 and 31 December 2005		
Equity: ordinary shares of £1 each fully paid	100	100

BAE SYSTEMS ELECTRONICS OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. 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.

8. 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.

9. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Year to 31 Dec 2005 £000	Year to 31 Dec 2004 £000
Profit for the year	-	-
Net increase in equity shareholders' funds	-	-
Opening equity shareholders' funds	111	111
Closing equity shareholders' funds	111	111