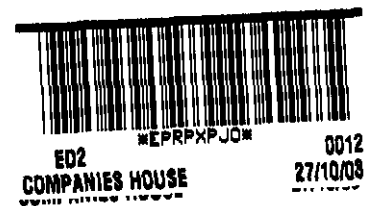


Registration No. 713317

**BAE SYSTEMS Avionics Overseas Limited**

**Directors' Report and Financial Statements**

**For the year ended 31<sup>st</sup> December 2002**



## **BAE SYSTEMS Avionics Overseas Limited**

<b>Contents</b>	<b>Page</b>
<b>DIRECTORS' REPORT</b>	<b>1</b>
<b>STATEMENT OF DIRECTORS' RESPONSIBILITIES</b>	<b>3</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>4</b>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>5</b>
<b>BALANCE SHEET</b>	<b>6</b>
<b>NOTES</b>	<b>7</b>
<b>1. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>7</b>
<b>2. TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>7</b>
<b>3. DEBTORS</b>	<b>7</b>
<b>4. CREDITORS</b>	<b>7</b>
<b>5. CALLED UP SHARE CAPITAL</b>	<b>7</b>
<b>6. DIRECTORS AND EMPLOYEES</b>	<b>8</b>
<b>7. CONTINGENT LIABILITIES</b>	<b>8</b>
<b>8. ULTIMATE PARENT UNDERTAKING</b>	<b>8</b>
<b>9. ACCOUNTING POLICIES</b>	<b>8/9</b>

**Report of the Directors**

The directors present their report and the audited financial statements of the company for the twelve months ended 31st December 2002.

**Principal Activity**

The principal activity of the company is the supply of avionics equipment overseas.

**Business Review**

During the year the company was wholly concerned with contracts for avionics equipment the manufacture and support of which was subcontracted.

During the period the company made a profit of £41,000 (year ended 31<sup>st</sup> December 2001 - £142,000.) The directors do not recommend the payment of a dividend (year ended 31<sup>st</sup> December 2001 - £nil).

**Directors and Directors' Interests**

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

T G T West	(appointed 30 <sup>th</sup> April 2002)
D M Frost	(resigned 30 <sup>th</sup> April 2002)
N E Franks	(appointed 4 <sup>th</sup> April 2002)
C V Geoghegan	(resigned 4 <sup>th</sup> April 2002)

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.

	<b>Ordinary shares of 2.5p</b>		<b>Capital Amortising Loan Stock</b>	
	<u>1st January</u> <u>2002 *</u>	<u>31st December</u> <u>2002</u>	<u>1st January</u> <u>2002 *</u>	<u>31st December</u> <u>2002</u>
D M Frost	19,917	19,917	6,196	6,196
N E Franks	17,976	18,297	4,641	4,641

	<b>Share Options Schemes</b>				
	<u>1st January</u> <u>2002 *</u>	<u>Lapsed</u>	<u>Granted</u>	<u>Exercised</u>	<u>31st December</u> <u>2002</u>
D M Frost	60,551	-	26,718	-	87,269
N E Franks	212,088		1,499		213,587

## BAE SYSTEMS Avionics Overseas Limited

Normally the options are exercisable, conditional on the performance of BAE SYSTEMS plc, between 26<sup>th</sup> February 2000 and 22<sup>nd</sup> 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

### Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



T.G.T West  
Director

1<sup>st</sup> October 2003  
Registered Office:  
Warwick House  
PO Box 87  
Farnborough Aerospace Centre  
Farnborough  
Hampshire GU14 6YU

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for the financial 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 financial statements;
- 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 ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT**

**to the members of BAE SYSTEMS Avionics Overseas Limited**

We have audited the financial statements on pages 5 to 9.

This report is made solely to the company's members, as a body, in accordance with 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 member as a body, for our audit work, for this report, or 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 3, 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. 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 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 2002 and of the Profit 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 and Registered Auditor  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex RH11 9PT

Dated *21 October 2003*

# BAE SYSTEMS Avionics Overseas Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31<sup>st</sup> December 2002

	Note	Year to 31 December 2002 £'000	Year to 31 December 2001 £'000
Turnover	1	362	1,414
Operating profit and profit on ordinary activities before and after taxation	1	41	142
Retained profit for the financial year		41	142

## MOVEMENT ON PROFIT AND LOSS ACCOUNT RESERVE

At start of year	199	57
Retained profit for the financial year	41	142
At end of year	240	199

There were no recognised gains or losses or other movements in shareholders' funds other than those reported above. The above results relate entirely to the continuing operations 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 Avionics Overseas Limited**

**BALANCE SHEET**

At 31<sup>st</sup> December 2002

	<b>Note</b>	<b>31 December 2002 £'000</b>	<b>31 December 2001 £'000</b>
<b>Current assets</b>			
Debtors	3	390	942
Creditors: amounts falling due within one year	4	(150)	(743)
<b>Net current assets</b>		<u>240</u>	<u>199</u>
 <b>Capital and reserves</b>			
Called up share capital	5	-	-
Profit and loss account		240	199
<b>Equity shareholders' funds</b>		<u>240</u>	<u>199</u>

Approved by the Board of Directors on 1<sup>st</sup> October 2003



T.G.T West  
Director



## NOTES (forming part of the financial statements)

## 1. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year to 31 December 2002 £'000	Year to 31 December 2001 £'000
Turnover	362	1,414
Cost of sales	(321)	(1,272)
<b>Operating profit and profit on ordinary activities before taxation.</b>	<b>41</b>	<b>142</b>

All turnover is to Asia.

The auditor's remuneration is borne by another group company.

## 2. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

**Current Year Corporation Tax**

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

**Current Year Deferred Tax**

Provision for deferred tax is not required.

## 3 DEBTORS

	December 2002 £'000	December 2001 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	150	743
Amounts owed by group undertakings	240	199
	<b>390</b>	<b>942</b>

## 4. CREDITORS

	December 2001 £'000	December 2000 £'000
<b>Amounts falling due within one year:</b>		
	150	743
Amounts owing to group undertakings		

## 5. CALLED UP SHARE CAPITAL

	Authorised £	Issued £
At 1 <sup>st</sup> January 2002 and 31 <sup>st</sup> December 2002		
Shares of £1 each fully paid	2	2

**NOTES (Continued)****6. DIRECTORS AND EMPLOYEES**

The company does not employ any staff (2001 nil) and therefore there are no payroll or pension costs. The directors are full time executives of other group companies. They do not receive any remuneration for their services as directors of the company (2001 nil) and it is not practicable to allocate their emoluments for other services. Information relating to the directors' interests in the shares and debentures of group companies can be found in the directors' report.

**7. CONTINGENT LIABILITIES****Guarantees**

Under a group registration the company is jointly and severally liable for any Value Added Tax owing by other BAE SYSTEMS Electronics Group Companies at 31<sup>st</sup> December 2002.

**8. ULTIMATE PARENT UNDERTAKING**

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

**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; consequently the company is exempt under the terms of Financial Reporting Standard 1 (Revised 1996) from the requirement to publish its own cash flow statement. The company has adopted FRS 19 'Deferred Taxation in these accounts

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.

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

**(a) Turnover**

The company records transactions as turnover when title passes to customers or when there is a contractual right to invoice. Turnover is exclusive of VAT.

**(b) 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

**NOTES (Continued)**

a right to pay less tax, in the future.

**(c) Currency translation**

Non-sterling net assets are translated at year-end rates of exchange. All other exchange gains and losses are included in profit on ordinary activities before taxation.