

Registration No. 713317

**BAE SYSTEMS Avionics Overseas Limited**

**Directors' Report and Financial Statements**

**For the year ended 31<sup>st</sup> December 2004**



## **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</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 2004.

### **Principal Activity**

The company did not trade in 2004.

### **Business Review**

The company did not trade in 2004. (Comparative profit for the year ended 31<sup>st</sup> December 2003 - £42,000.) The directors do not recommend the payment of a dividend (year ended 31<sup>st</sup> December 2003 - £nil).

### **Directors**

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

- G F Munday - appointed 18 October 2004 resigned 7 March 2005
- N E Franks - resigned 7 March 2005
- T G T West - resigned 7 March 2005
- A Holding - appointed 7 March 2005
- D S Parkes - appointed 7 March 2005

The beneficial interest of the directors, including those of their families, 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**

Name	Ord. Shares of 2.5p		Share Options			
	1.1.04*	31.12.04	1.1.04*	Exercised/ Lapsed	Granted	31.12.04
N.E. Franks	19,256	20,369	335,719	-	136,064	471,783
G.F. Munday	88	88	38,306	-	-	38,306
T.G.T. West	1,609	1,609	31,420	1,165	9,435	39,690

Name	Restricted Share Plan Matching Shares		Conditional Awards of Shares under BAE SYSTEMS Performance Share Plan			
	1.1.04	31.12.04	1.1.04*	Exercised/ Lapsed	Granted	31.12.04
N.E. Franks	1,524	759	97,386	-	90,211	187,597
G.F. Munday	-	-	9,033	-	-	9,033
T.G.T. West	-	-	5,500	-	6,000	11,500

\* or later date of appointment

**BAE SYSTEMS Avionics Overseas Limited**

By order of the board



D S Parkes  
Director

Dated...17 October 2005.....

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 8.

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 2004 and of the Profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
Chartered Accountants and Registered Auditor  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex RH11 9PT

Dated

24th October 2005

**BAE SYSTEMS Avionics Overseas Limited**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31<sup>st</sup> December 2004

	Note	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000
Turnover	1	<u>NIL</u>	<u>500</u>
Operating profit and profit on ordinary activities before and after taxation	1	<u>-</u>	<u>42</u>
Retained profit for the financial year		<u><u>NIL</u></u>	<u><u>42</u></u>

**MOVEMENT ON PROFIT AND LOSS  
ACCOUNT RESERVE**

At start of year	282	240
Retained profit for the financial year	NIL	42
At end of year	<u><u>282</u></u>	<u><u>282</u></u>

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 2004

	Note	31 December 2004 £'000	31 December 2003 £'000
<b>Current assets</b>			
Debtors	3	282	313
Creditors	4		(31)
Cash at bank owing to bank			
<b>Net current assets</b>		<u>282</u>	<u>282</u>
 <b>Capital and reserves</b>			
Called up share capital	5	-	-
Profit and loss account		282	282
<b>Equity shareholders' funds</b>		<u>282</u>	<u>282</u>

Approved by the Board of Directors on 17 October 2005



D S Parkes  
Director



# BAE SYSTEMS Avionics Overseas Limited

## NOTES (forming part of the financial statements)

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

	Year to 31 December 2004 £'000	Year to 31 December 2003 £'000
Turnover	NIL	500
Cost of sales	NIL	(458)
<b>Operating profit and profit on ordinary activities before taxation.</b>	<b>NIL</b>	<b>42</b>

All turnover is to Asia.

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

### 2. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

#### Corporation Tax

The company has not provided for corporation tax for the previous 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.

#### Deferred Tax

Provision for deferred tax is not required.

### 3. DEBTORS

	December 2004 £'000	December 2003 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	282	313

### 4. CREDITORS

	December 2004 £'000	December 2003 £'000
<b>Amounts falling due within one year:</b>		
Bank loans and overdrafts	NIL	31
	<b>NIL</b>	<b>(31)</b>

### 5. CALLED UP SHARE CAPITAL

	Authorised £	Issued £
At 1 <sup>st</sup> January 2004 and 31 <sup>st</sup> December 2004		
Shares of £1 each fully paid	2	2

NOTES (Continued)

**6. DIRECTORS AND EMPLOYEES**

The company does not employ any staff (2003 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 (2003 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 2004.

**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.

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) 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.