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**BAE SYSTEMS DEFENCE LIMITED**

**ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER 2004**



**BAE SYSTEMS DEFENCE LIMITED**

**REPORT OF THE DIRECTORS**

The Directors present their report for the year ended 31st December 2004.

Activities

The Company has not traded on its own account during the year.

Directors

The Directors of the Company during the year were:

Mr D S Parkes  
Miss A-L Holding

None of the Directors is due to retire from the Board under the provisions of the Company's Articles of Association.

None of the Directors has (or has had) any beneficial interest in the share capital of the Company, (or any subsidiary company of the BAE SYSTEMS group of companies). The Directors who held office at the end of the year had the following interests in the share capital of the Company's ultimate holding company, BAE SYSTEMS plc:

Directors	Ord. Shares of 2.5p		Share Options			
	1.1.04	31.12.04	1.1.04	Exercised	Granted	31.12.04
D.S.Parkes	1,385	1,385	41,306	1,396	9,004	48,914
A-L Holding	-	-	2,000	-	-	2,000

Name	Conditional Awards of Shares under BAE SYSTEMS Performance Share Plan			
	1.1.04	Exercised/ Lapsed	Granted	31.12.04
D S Parkes	4,700	-	5,500	10,200

BY ORDER OF THE BOARD

  
D.S. PARKES  
Secretary

Warwick House  
PO Box 87  
Farnborough Aerospace Centre  
Farnborough  
Hants GU14 6YU

23 September 2005

**BAE SYSTEMS DEFENCE LIMITED**

**BALANCE SHEET AS AT 31ST DECEMBER 2004**

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
Amounts owed by group companies (Note 3)	<u>1000</u>	<u>1000</u>

Financed by:

Ordinary Share Capital

Authorised, issued and fully paid:

Ordinary Shares of £1 each	<u>1000</u>	<u>1000</u>
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- (a) For the year ended 31<sup>st</sup> December 2004 the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.
- (b) *Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.*
- (c) The directors acknowledge their responsibility for:
- ensuring the company keeps accounting records which comply with section 221; and
  - preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

These accounts were approved by the Board of Directors on *23 September* 2005 and were signed on its behalf by:



D S PARKES  
Director

The notes on page 4 form part of these accounts.

**BAE SYSTEMS DEFENCE LIMITED**

NOTES TO THE ACCOUNTS

1. Profit and Loss Account

The Company has not traded during the accounting period, has received no income and incurred no expenditure, and consequently has made neither a profit nor a loss. A profit and loss account has therefore not been prepared.

2. Directors' Emoluments

No Director received any emoluments from the Company during the year (2003: £nil).

3. Amount Owed by Group Companies

The amount owed by group companies is in respect of a loan to BAE SYSTEMS plc. The loan bears no interest and is repayable on demand.

4. Ultimate Holding Company

The ultimate holding company is BAE SYSTEMS plc, a company incorporated in Great Britain, and registered in England and Wales. Copies of the group accounts of BAE SYSTEMS plc, the largest and smallest group in which the results of the company are consolidated, can be obtained from 6 Carlton Gardens London SW1Y 5AD.