

Registered Number 2672582

BAE Systems (Lancaster House) Limited

Directors' Report and Financial Statements 2007



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Directors' report

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The directors present their report, together with the financial statements, for the year ended 31 December 2007

Principal activities and business review

During the year the Company did not trade and received no income and incurred no expenditure. Consequently, the Company made neither a profit nor a loss, and a profit and loss account has not been prepared.

The directors do not recommend the payment of a dividend for the year (2006 £nil)

Directors

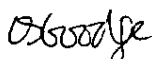
The directors who held office during the year and at the date of this report were

Miss A-L Holding
Mr D S Parkes

Auditors

The directors have decided to take advantage of an exemption to which the Company is entitled, that under subsection (1) of section 249AA of the Companies Act 1985, the Company is exempt from the requirement to have its financial statements for the year ended 31 December 2007 audited.

By order of the Board



L S Goodge
Secretary

Warwick House
PO Box 87
Farnborough Aerospace Centre
FARNBOROUGH
Hampshire
GU14 6YU

Date

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

Balance sheet

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as at 31 December

		2007 £'000	2006 £'000
Current assets			
Debtors due within one year	Note 4	22,118	22,118
Net assets		<u>22,118</u>	<u>22,118</u>
Capital and reserves			
Called up share capital	Note 5	25,626	25,626
Profit and loss account		<u>(3,508)</u>	<u>(3,508)</u>
Equity shareholders' funds		<u>22,118</u>	<u>22,118</u>

(a) For the year ended 31 December 2007 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

- i ensuring the Company keeps accounting records which comply with section 221, and
- ii 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

Approved by the Board on

17 June 2008 and signed on its behalf by



D S Parkes
Director

The notes on page 4 and 5 form part of the financial statements

Notes to the accounts

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1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom. The Accounting Standards Board has issued FRS 29 'Financial Instruments: Disclosures', applicable for the year ended 31 December 2007. As the Company is a wholly owned subsidiary of BAE Systems plc, it is exempt from presenting FRS 29 disclosures as full equivalent disclosures are presented on a group basis within the consolidated financial statements.

Cash flow statement

The Company is exempt from the requirement of FRS1(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.

Related party transactions

The Company is controlled by BAE Systems plc and is a wholly owned subsidiary of BAE Systems plc. In accordance with paragraph 3c of FRS8 "Related Party Transactions" the company is exempt from disclosing details of arrangements with other companies in the BAE Systems plc group.

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.

2 Employees and directors

The Company did not have any employees in the year. None of the directors received any emoluments from the Company during the year.

3 Taxation

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.

Provision for deferred tax is not required.

4 Debtors due within one year

	2007 £'000	2006 £'000
Amounts due from parent undertaking	<u>22,118</u>	<u>22,118</u>

5 Share capital

	2007 £'000	2006 £'000
Authorised, issued and fully paid		
Ordinary shares of £1 each	<u>25,626</u>	<u>25,626</u>

Notes to the accounts (continued)

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6 Reserves - profit and loss account

	2007 £'000	2006 £'000
At 1 January and 31 December	<u>(3,508)</u>	<u>(3,508)</u>

7 Ultimate holding company

The ultimate holding company is BAE Systems plc, a company incorporated in Great Britain and registered in England and Wales

The consolidated financial statements of BAE Systems plc are available to the public and may be obtained from

6 Carlton Gardens
London
SW1Y 5AD