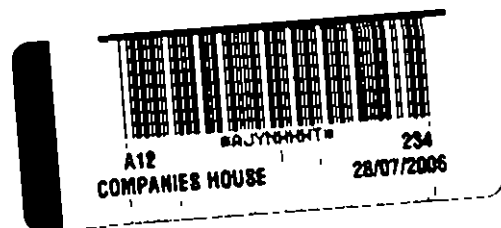


BAE SYSTEMS (ABERDEEN) LIMITED

COMPANY NUMBER 57296

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2005



BAE SYSTEMS (ABERDEEN) LIMITED

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DIRECTORS' REPORT

The directors present their annual report together with the financial statements for the year ended 31st December 2005.

Principal Activities and Result

The company has not traded during the year and has made neither a profit nor loss (2004: £nil).

Directors

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

Mr Peter John Lynas
Mr Colin James Musgrave
Mr David Stanley Parkes

None of the directors had any beneficial or non-beneficial interest in the share capital of the company during the year, nor in the period from 31st December 2005 to the date of this report. The board is not aware of any contract of significance in relation to the company in which any director has, or has had, a material interest.

The beneficial, including family, interests in the share capital of BAE SYSTEMS plc, the ultimate holding company, of the persons who are directors at the end of the year are shown below.

Ordinary Shares of 2.5p each of BAE SYSTEMS plc

Directors	Shares		Share Options				
	At 1st January 2005	At 31st December 2005	At 1st January 2005	Granted	Exercised	Lapsed	At 31st December 2005
D S Parkes	1,385	2,866	59,114	12,500	(1,103)	(1,261)	69,250
P J Lynas	8,875	16,678	448,739	169,488	(1,963)	-	616,264
C J Musgrave	4,998	13,839	217,881	51,143	(1,103)	-	267,921

By order of the Board



D S Parkes
Director

Registered office:
Crewe Toll
Ferry Road
Edinburgh
EH5 2XS

25 July 2006

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.

BAE SYSTEMS (ABERDEEN) LIMITED

BALANCE SHEET

	Note	31.12.2005 £'000	31.12.2004 £'000
Current assets			
Debtors	5	<u>8,205</u>	<u>8,205</u>
		8,205	8,205
Creditors:			
amounts due within one year	6	(2,933)	(2,933)
Net current assets		<u>5,272</u>	<u>5,272</u>
 Capital and reserves			
Called up share capital	7	15	15
Profit and loss account		5,257	5,257
Shareholders' funds		<u>5,272</u>	<u>5,272</u>
 Note:			
Equity		5,257	5,257
Non-equity		15	15
Shareholders' funds		<u>5,272</u>	<u>5,272</u>

BAE SYSTEMS (ABERDEEN) LIMITED

The directors:

- (a) confirm that the company was entitled to exemption under subsection (1) of section 249AA of the Companies Act 1985 from the requirement to have its accounts for the financial year ended 31 December 2005 audited.
- (b) confirm that members have not required the company to obtain an audit of its accounts for that financial year in accordance with sub-section (2) of section 249B of that Act.
- (c) acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, 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 of that Act, and which otherwise comply with the requirements of that Act relating to accounts, so far as applicable to the company

The financial statements were approved by the Board of directors on 25 July 2006 and were signed on its behalf by.



D S Parkes
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The financial statements are drawn up in accordance with applicable accounting standards and under the historical cost convention.

Taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing difference 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.

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 FRS 8 "Related Party Transactions" the company is exempt from disclosing details of arrangements with other companies in the BAE SYSTEMS plc group.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 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

2. Profit and Loss Account

During the year ended 31 December 2005 and the prior year the company did not trade and has made neither profit nor loss nor any other recognised gains or losses. Therefore no profit and loss account is presented. The audit costs are borne by another group company.

3. Taxation Note

No provision for current or deferred tax is required.

4. Directors' emoluments

None of the Directors received any emoluments from the Company during the year (2004: nil)

BAE SYSTEMS (ABERDEEN) LIMITED

5 Debtors

	31 st December 2005 £'000	31 st December 2004 £'000
Amounts due within one year:		
Amounts owed by holding and fellow subsidiary companies	8,205	8,205

6 Creditors

	31 st December 2005 £'000	31 st December 2004 £'000
Amounts due within one year:		
Amounts owed to holding and fellow subsidiary companies	2,933	2,933

Amounts owed to holding and fellow subsidiary companies comprise £2,933,000
Unsecured non-interest bearing loan notes.

7 Share capital

	31 st December 2005 £	31 st December 2004 £
200 Authorised, allotted, called up and fully paid ordinary shares of £1 each	200	200
15,000 of 6% Non-cumulative preference shares of £1 each fully paid	15,000	15,000

8 Ultimate holding company

The ultimate holding company is BAE SYSTEMS plc which is incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of BAE SYSTEMS plc are available to the public and may be obtained from the Secretary, BAE SYSTEMS plc, Stirling Square, 6 Carlton Gardens, London, SW1Y 5AD.