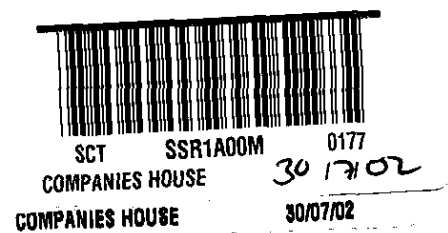


BAE SYSTEMS OSP SERVICES LIMITED

Report and Financial Statements

For the year ended 31 December 2001



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Report of the Directors

The Directors present their report and the audited accounts of the Company for the year ended the 31st December 2001.

The Company is a wholly owned subsidiary of BAE SYSTEMS plc. The Company has not traded on its own account during the year. The Directors do not recommend the payment of a dividend.

The present members of the Board are Messrs. P. J. Lynas, D.S. Parkes and C.J. Musgrave.

According to the Register kept by the Company in accordance with Section 325 of the Companies Act 1985 the Directors had no interests in the share capital of the Company's ultimate holding company, BAE SYSTEMS plc or its subsidiaries other than those shown below: -

Directors	Ord. Shares of 2.5p		Share Options			
	1.1.01	31.12.01	1.1.01	Exercised/ Lapsed	Granted	31.12.01
D.S Parkes	241	241	17048	944	11133	27237
C.J. Musgrave	-	-	33326	-	40909	74235
P.J. Lynas	-	-	62441	-	54498	116939

Mr. Lynas also held Capital Amortising Loan Stock (CALs) of 792 as at 31st December 2001.

By Order of the Board


D.S. PARKES
Secretary

3rd July 2002

Registered Office:
6 South Gyle Crescent,
Edinburgh,
EH12 9EA.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for the 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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 OSP Services Limited

We have audited the financial statements on pages 4 to 6.

Respective responsibilities of Directors and Auditors

The directors are responsible for the directors' report and, as described on page 2, 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 1985. 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 2001 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8, Salisbury Square
London EC4Y 8BB

Dated 26 June 2002

BAE SYSTEMS OSP SERVICES LIMITED

BALANCE SHEET

31 December 2001

		31 December 2001 £	31 December 2000 £
	Note		
Current assets			
Debtors	2	365,082	365,082
Cash at bank and in hand		475,370	475,370
Net current assets and net assets		<u>840,452</u>	<u>840,452</u>
Capital and reserves			
Called up share capital	3	100	100
Profit and loss account		840,352	840,352
Equity shareholders' funds		<u>840,452</u>	<u>840,452</u>

Approved by the Board of Directors.


Mr. P.J. Lynas
Director

3rd July 2002

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company has not traded during the current period or the previous year and, therefore, no profit and loss account has been prepared.

There are no recognised gains and losses or movements in shareholders' funds for the current period and previous year. Accordingly no statement of total recognised gains and losses or reconciliation of movements in shareholders' funds is given.

The auditors remuneration is borne by another group company.

2. DEBTORS

	31 December 2001 £	31 December 2000 £
Amounts falling due within one year:		
Amounts owed by holding and fellow subsidiary companies	365,082	365,082
	<u>365,082</u>	<u>365,082</u>

3. CALLED UP SHARE CAPITAL

	Authorised £	Issued £
Share Capital		
At 1 January 2001 and 31 December 2001		
Shares of £1 each fully paid	100	100
	<u>100</u>	<u>100</u>

4. DIRECTORS AND EMPLOYEES

The Directors are full time executives of other Group companies. They do not receive any remuneration for their services as Directors of the company and it is not practicable to allocate their emoluments for other services.

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 December 2001

5. ULTIMATE PARENT UNDERTAKING

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

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 plc group have not been disclosed in these financial statements.

6. ACCOUNTING POLICIES

The accounts 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.