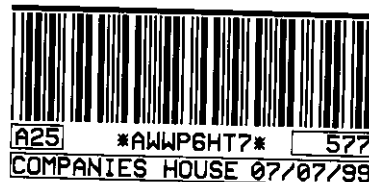


FAIREY GROUP PENSION TRUSTEES LIMITED

REGISTRATION NO 698174
REGISTERED IN ENGLAND

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998



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FAIREY GROUP PENSION TRUSTEES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 1998.

ACTIVITIES

The company acts as Sole Trustee for the Pension Fund of Fairey Group plc.

DIRECTORS DURING THE YEAR

R. Williams
J.W. Poulter
J.G. Zacharias
T.P. Ganley (resigned 31 July 1998)
R.J. Stephens
Mrs A. Garey
B. Worwood (appointed 8 September 1998)

DIRECTORS' INTERESTS

Except as shown below, no directors, who were not also directors of the holding company, had any interest in the shares of any group company. The following are in respect of ordinary shares of 5p each in Fairey Group plc, the ultimate parent company.

	Fairey Group plc	
	1 January 1998 or date of appointment 5p ordinary shares	31 December 1998 or date of resignation 5p ordinary shares
R.J. Stephens	500	2,720
T Ganley	-	1,174
B Worwood	200	200

The interests of directors who were also directors of the holding company are shown in the accounts of the holding company.

FAIREY GROUP PENSION TRUSTEES LIMITED

REPORT OF THE DIRECTORS

The following options, each of which carries an entitlement to subscribe for one ordinary 5p share in Fairey Group plc, were outstanding at 31 December 1998.

	At 01.01.98	During Year Granted	Exercised	Lapsed	At 31.12.98 Or on resignation	Exercise Price (p)	Usual Date from which Exercisable	Expiry Date
R.J. Stephens								
SAYE Option	2,716			2,716		635	Dec.2002	June 2003
SAYE Option		7,040			7,040	245	Dec 2003	June 2004
	10,000				10,000	635	Oct 2000	Oct. 2007
	10,000				10,000	5	Mar 2001	Oct. 2004
		4,800			4,800	565	Mar 2001	Oct 2008
		15,000			15,000	245	Sept 2001	Sept 2008
		15,000			15,000	5	Mar 2002	Sept 2005
Mrs A. Garey								
SAYE Option	547		547*			264.88	Feb 1998	July 1998
SAYE Option	907				907	228.137	June 1999	Dec. 1999
SAYE Option	556				556	235.468	June 2000	Dec. 2000
SAYE Option	543			543		635	Dec 2002	June 2003
SAYE Option		1,408			1,408	245	Dec 2003	June 2004
B. Worwood								
SAYE Option		563			563	245	Dec 2003	June 2004
T Ganley								
SAYE Option	1,174		1,174		-	308.75	June 1998	Dec 1998

* Market value upon exercise was 545p

Except where shown as SAYE, the above relates to the Group's Executive Share Option Schemes.

Entitlement to exercise options granted under the Fairey Group 1996 Executive Share Plan is conditional upon the achievement of growth in normalised earnings per share (EPS) over three consecutive years between grant and exercise of at least 2% per annum in excess of growth in the retail price index. Entitlement to exercise any or all Matching Options (5p) granted under the Fairey Group 1996 Executive Share Plan is conditional upon achieving substantially more demanding EPS growth criteria and fulfillment of retention conditions.

FAIREY GROUP PENSION TRUSTEES LIMITED

REPORT OF THE DIRECTORS (Continued)

In addition, at 31 December 1998, each director except Mr Williams, was deemed to have a non-beneficial interest in 1,109,950 ordinary shares in the share capital of Fairey Group plc, the Company's holding company, held by the Trustee of the Fairey Group plc Employee Benefit Trust and 32,300 ordinary shares held by the Trustee of the Fairey Group plc Qualifying Employee Share Ownership Trust of which they are amongst the class of discretionary beneficiaries.

ANNUAL GENERAL MEETING

In accordance with section 366A of the Companies Act 1985, the Company has elected to dispense with the holding of annual general meetings.

BY ORDER OF THE BOARD



C. Stopp
Secretary

9 June 1999

FAIREY GROUP PENSION TRUSTEES LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
CURRENT ASSETS			
Amount due from group company		100 —	100 —
CAPITAL AND RESERVES			
Called up share capital	2	100	100
Profit and loss account		- —	- —
		100 —	100 —

The company was dormant, within the meaning of section 250 of the Companies Act 1985, throughout the year ended 31 December 1998.

The financial statements on pages 4 and 5 were approved by the Board of Directors on 9 June 1999 and were signed on its behalf by:



Director

FAIREY GROUP PENSION TRUSTEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis of accounting.

The company did not trade during the current or previous year. Accordingly, no profit and loss account has been prepared.

2. CALLED-UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
Authorised		
100 shares of £1 each	100	100
	—	—
Allotted, called-up and fully paid	100	100
	—	—

3. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Fairey Group plc, which is incorporated in Great Britain and registered in England. Copies of Fairey Group plc financial statements can be obtained from the Registrar of Companies at Companies House.