

Company Number: 753964

BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2005



BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED

REPORT OF THE DIRECTORS

The Directors present their report for the year ended 31st December 2005.

Activities

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

On 30th March 1979, the Company was appointed Trustee of the BAE SYSTEMS Pension Scheme and since then it has acted in that capacity.

Directors

The Directors of the Company during the year and at the date of this report were as follows:

Holding Office under Article 79(A)(i):

Mr. M.S. Ball
Mr. B.J. Culshaw
Mr. B.P. Hart
Mr. C.J. Sheehan
Mr. T. Royle
Mr. J. E. Walsh

Holding Office under Article 79(A)(ii):

Mr. D.P. Moakes (appointed 1st January 2005)

Holding Office under Article 79(A)(iii):

Mr. R.C.M. Fisher
Mr. A.J. Gallagher
Mr. G.R. Griffiths
Mr. I.G. King
Mr. N.R. Hubbard
Mr. J. Turner (appointed 1st January 2005)
Miss L.S. Wallwork (appointed 1st January 2005)

Mr. D.P. Moakes, Mr. J. Turner and Miss L.S. Wallwork were appointed to the Board of Directors on the 1st January 2005.

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			
	1.1.05	31.12.05	1.1.05	Exercised/ Lapsed	Granted	31.12.05
M.S. Ball	152	152	-	-	-	-
B.J. Culshaw	241	389	-	-	-	-
R.C.M. Fisher	1,587	3,930	194,518	860	34,090	227,748
A.J. Gallagher	21,300	36,869	239,347	-	35,511	274,858
G.R. Griffiths	-	-	60,029	-	-	60,029
B.P. Hart	-	-	1,502	742	-	760
N.R. Hubbard	3,680	18,825	264,596	46,795	36,798	254,599
I.G. King	106,334	163,145	954,888	1,963	221,903	1,174,828
D.P. Moakes	5,875	5,875	-	-	-	-
T. Royle	26	26	1,000	-	-	1,000
C.J. Sheehan	1,021	221	365	-	-	365
J. Turner	1,329	2,001	2,299	-	2,000	4,299
L.S. Wallwork	3,018	3,637	88,428	-	29,829	118,257
J.E. Walsh	508	804	-	-	-	-

Director	Restricted Share Plan Matching Shares		Conditional Awards of Shares under Performance Share Plan			
	1.1.05	31.12.05	1.1.05	Exercised/ Lapsed	Granted	31.12.05
R.C.M. Fisher	749	1,318	72,832	-	22,726	95,558
A.J. Gallagher	5,529	13,239	68,918	-	23,674	92,592
N.R. Hubbard	1,499	3,396	72,080	-	24,532	96,612
I.G. King	64,167	75,627	393,810	-	147,935	541,745
J. Turner	-	-	-	-	1,333	1,333
L.S. Wallwork	-	-	45,573	-	19,886	65,459

BY ORDER OF THE BOARD



A-L Holding
Secretary

25 May

2006

Warwick House,
Farnborough Aerospace Centre,
Farnborough,
Hants. GU14 6YU

BAE SYSTEMS PENSION FUNDS TRUSTEES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	£	£
Amount owed by group companies (Note 3)	1,000	1,000
	_____	_____
Financed by:		
Ordinary Share Capital		
Authorised, issued and fully paid:		
Ordinary Shares of £1 each	1,000	1,000
	_____	_____

- (a) For the year ended 31st December 2005 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 25 May 2006 and were signed on its behalf by:



Director

The notes on page 5 form part of these accounts.

Company Number: 753964

BAE SYSTEMS PENSION FUNDS TRUSTEES 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 (2004: £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.