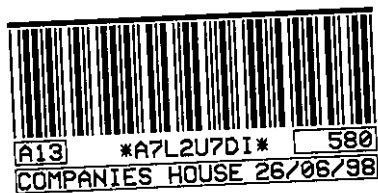


**IBM United Kingdom
Pensions Trust Limited**

***REPORT AND ACCOUNTS
31 December 1997***



IBM United Kingdom Pensions Trust Limited

Registered No. 1523741

DIRECTORS

J B Morgans, Chairman
Professor Sir James Ball
H L Bodger
T F Cadigan
I J Crawford
D J Gamble
A M Grinstead
M K Jack
J S Lamb
B K Morley
B I Petch
J D Serkes

SECRETARY

W E Baker

AUDITORS

Price Waterhouse
30 Channel Way
Ocean Village
Southampton SO14 3QG

REGISTERED OFFICE

North Harbour
Portsmouth PO6 3AU

IBM United Kingdom Pensions Trust Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The company acts as and carries out the various duties of a corporate trustee of pension schemes. The company does not trade in its own right.

The company is a member of the Investment Management Regulatory Organisation (IMRO).

DIRECTORS

The directors of the company are shown on page 1.

I J Crawford and J D Serkes were appointed as directors on 20 February 1997 and H L Bodger, M K Jack and B I Petch were appointed as directors on 24 April 1997.

In addition to the directors listed above, S Dyson served as a director until 20 February 1997 and D M Child served as a director until 31 March 1997.

J B Morgans was elected Chairman on 31 March 1997 in succession to D M Child.

J S Lamb is a director of IBM United Kingdom Holdings Limited and A M Grinstead is a director of IBM United Kingdom Limited.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company. 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; 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements and responsibilities.

By order of the board



W E Baker
Secretary

11 April 1998

REPORT OF THE AUDITORS

to the members of IBM United Kingdom Pensions Trust Limited

We have audited the financial statements on pages 4 to 6 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

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 affairs of the company as at 31 December 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse

Chartered Accountants
and Registered Auditors
Southampton

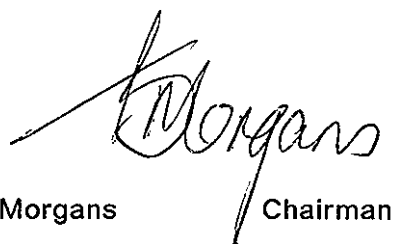
21 April 1998

IBM United Kingdom Pensions Trust Limited

BALANCE SHEET

at 31 December 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Investments	5	1	1
CURRENT ASSETS			
Debtors due after more than one year	6	99	99
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		100	100
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS		100	100
		<hr/>	<hr/>



J B Morgans

Chairman

21 April 1998

IBM United Kingdom Pensions Trust Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

No profit and loss account is produced as the company did not trade in the year or in the preceding year.

There were no recognised gains or losses in the year or in the preceding year.

Investments

Investments are valued at the lower of cost or market value.

2. EMPLOYEES

The average number of employees during the year was Nil (1996 Nil).

3. DIRECTORS' REMUNERATION

	1997 £000	1996 £000
Directors' Total Emoluments for services to the company		
Fees	19	35
Emoluments of the Highest Paid Director		
Fees	10	15

All emoluments are paid by a fellow subsidiary of IBM United Kingdom Holdings Limited.

4. AUDITORS' REMUNERATION

Auditors' remuneration was borne by a fellow subsidiary in both 1997 and 1996.

5. INVESTMENTS

	1997 £000	1996 £000
Preference shares	1	1

These shares are listed on a recognised stock exchange in Great Britain. The market value of the shares at the balance sheet date was £4,461 (1996 £4,212).

6. DEBTORS due after more than one year

	1997 £000	1996 £000
Amounts owed by fellow subsidiary undertakings	99	99

IBM United Kingdom Pensions Trust Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

7. SHARE CAPITAL

	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Equity		
Authorised ordinary shares of £1 each	250	250
	<hr/>	<hr/>
Allotted and fully paid ordinary shares of £1 each	100	100
	<hr/>	<hr/>

8. RELATED PARTIES

The immediate parent undertaking is IBM United Kingdom Holdings Limited which is registered in Great Britain. Copies of the accounts of this undertaking may be obtained from the UK Headquarters, North Harbour, Portsmouth.

The ultimate parent undertaking is International Business Machines Corporation which is incorporated in the United States of America. Copies of the accounts of this undertaking may be obtained from Corporate Headquarters, Armonk, New York 10504.