

Company Number: 2957926

BAE SYSTEMS PENSION FUNDS CIF TRUSTEES LIMITED

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2005**



BAE SYSTEMS PENSION FUNDS CIF 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.

Directors

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

Mr. B.J. Culshaw	
Mr. A.J. Gallagher	(Appointed 16.5.05)
Mr. B.P. Hart	
Mr. I.G. King	
Mr. G.W. Rose	
Mr. N.P. Tinsley	
Mr. M.J. Turner	

Mr. A.J. Gallagher was appointed to the Board of Directors on the 16th May 2005.

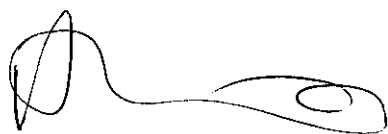
None of the Directors has (or has had) any beneficial interest in the share capital of the Company (or any subsidiary company of the BAE Systems group of companies). The beneficial interests of the Directors who served during the year ended 31st December 2005 who are also Directors of BAE Systems plc are set out in the Group's Accounts. The other 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
B.J. Culshaw	241	389	-	-	-	-
A.J. Gallagher	36,865	36,869	274,858	-	-	274,858
B.P. Hart	-	-	1,502	742	-	760
I.G. King	106,334	163,145	954,888	1,963	221,903	1,174,828
N.P. Tinsley	5,734	7,057	91,010	1,963	25,479	114,526

Director	Restricted Share Plan Matching Shares		Conditional Awards of Shares under BAe Performance Share Plan			
	1.1.05*	31.12.05	1.1.05*	Exercised/ Lapsed	Granted	31.12.05
A.J. Gallagher	13,239	13,239	92,592	-	-	92,592
I.G. King	64,167	75,627	393,810	-	147,935	541,745
N.P. Tinsley	499	878	24,385	-	16,986	41,371

* or later date of appointment

BY ORDER OF THE BOARD



A-L Holding
Secretary

27 July 2006

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

BAE SYSTEMS PENSION FUNDS CIF 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 27 July 2006 and were signed on its behalf by:



Director

The notes on page 5 form part of these accounts.

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BAE SYSTEMS PENSION FUNDS CIF 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.