

Company Number: 212802

BRITISH AEROSPACE PENSION FUNDS
INVESTMENT MANAGEMENT LIMITED

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
5TH APRIL 1998



BRITISH AEROSPACE PENSION FUNDS
INVESTMENT MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The Directors present their report for the year ended 5th April 1998.

Activities

The Company is the appointed investment manager of the invested assets of British Aerospace Plc's occupational pensions schemes. The Company has been a member of the Investment Management Regulatory Organisation Limited ("IMRO") since 28th April 1988.

Directors

The Directors of the Company in the last year were:

Mr. J.W. Gibbon
Mr. R.D. Lapthorne
Mr. S.R. Burley
Miss S.D. Windridge (resigned 25.4.97)
Mr. S.P. Carroll (appointed 25.4.97)

None of the Directors has (or has had) any beneficial interest in the share capital of the Company, (or any subsidiary company of the British Aerospace group of companies). The Directors' interests in the share capital of the Company's ultimate holding company, British Aerospace Public Limited Company, were as follows:

Directors	Ord. Shares of 10p		Share Options			
	6.4.97	5.4.98	6.4.97*	Exercised	Granted	5.4.98*
J.W. Gibbon	1500	2739	22,649	10,739	7556	19,466
R.D. Lapthorne	225,517	179,517	83,815	Nil	Nil	83,815
S.P. Carroll	Nil	Nil	72,771	Nil	Nil	72,771
S.R. Burley	Nil	Nil	Nil	Nil	Nil	Nil

* or later date of appointment.

Conditional Grants of Shares

Directors	6.4.97	Granted	5.4.98
R.D. Lapthorne	22,940	14,851	37,791
S.P. Carroll	10,094	6,346	16,440

Statement of Director's 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 or loss for that 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 maintaining 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.

Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as Auditors of the Company.

BY ORDER OF THE BOARD



L.S. Goodge
Secretary

**REPORT OF THE AUDITOR, KPMG AUDIT PLC, TO THE MEMBERS OF
BRITISH AEROSPACE PENSION FUNDS INVESTMENT MANAGEMENT
LIMITED**

We have audited the financial statements on pages 5 and 6.

Respective responsibilities of Directors and Auditor

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 mis-statement, 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 Company's affairs as at 5th April 1998 and have been properly prepared in accordance with the provisions of the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc,
Registered Auditor
Chartered Accountants
London

3 August 1998

BRITISH AEROSPACE PENSION FUNDS
INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET AS AT 5TH APRIL 1998

	5th April 1998 £	5th April 1997 £
Amounts owed by group companies (Note 5)	<u>15,166,941</u>	<u>15,166,941</u>
Financed by:		
CAPITAL AND RESERVES		
Called up Share Capital		
Authorised, issued and fully paid:		
5,015,000 Ordinary Shares of £1 each	5,015,000	5,015,000
Share Premium Account	1,302,104	1,302,104
Capital Redemption Reserve	2,699,235	2,699,235
Profit and Loss Account	<u>6,150,602</u>	<u>6,150,602</u>
	<u>15,166,941</u>	<u>15,166,941</u>

These accounts were approved by the Board of Directors on 31st July 1998.

Director



The notes on page 6 form part of these accounts.

BRITISH AEROSPACE PENSION FUNDS
INVESTMENT MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

1. **Accounting Policies**

These accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

2. **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.

3. **Ultimate Holding Company**

The ultimate holding company is British Aerospace Public Limited Company, a company incorporated in Great Britain, and registered in England and Wales. This is the only company which consolidates the Company's accounts into its accounts. Copies of the Annual Report and Accounts of British Aerospace Plc can be obtained from the Company Secretary, Warwick House, PO Box 87, Farnborough Aerospace Centre, Farnborough, Hants, GU14 6YU.

4. **Directors' Emoluments**

No Director received any emoluments from the Company during the year.

5. **Amount Owed by Group Companies**

The amount owed by group companies is in respect of a loan to British Aerospace Public Limited Company. The loan bears no interest and is repayable on demand.