

Company Number: 212802

BAE SYSTEMS PENSION FUNDS
INVESTMENT MANAGEMENT LIMITED

(formerly British Aerospace Pension Funds Investment
Management Limited)

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

5th April 2001



BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED

(formerly British Aerospace Pension Funds Investment
Management Limited)

REPORT OF THE DIRECTORS

The Directors present their report for the year ended 5th April 2001.

Activities

The Company changed its name from British Aerospace Pension Funds Investment Management Limited on the 23rd February 2000. The Company is the appointed investment manager of the invested assets of BAE SYSTEMS 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 (resigned 8th February 2001)

Mr. S.R. Burley

Mr. G.W. Rose

Mr. D. Brief (appointed 8th February 2001)

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 Mr. G.W. Rose who is also a Director 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			
	6.4.00*	5.4.01*	6.4.00*	Exercised	Granted	5.4.01*
J.W. Gibbon	17,996	16,396	73,669	1,308	-	72,361
S.R. Burley	8,563	-	-	-	-	-
D. Brief	-	-	-	-	-	-

* or earlier date of resignation or later date of appointment

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 BAE
SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 the company's affairs as at 5th April 2001 and of the result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors

31 July 2001

BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED

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BALANCE SHEET AS AT 5th April 2001

	5th April 2001 £	5th April 2000 £
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 26 July 2001.


Director

The notes on page 6 form part of these accounts.