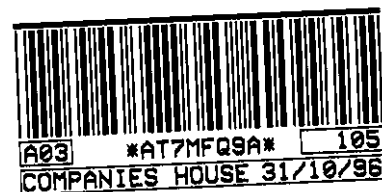


ARLINGTON SECURITIES EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995



ARLINGTON SECURITIES EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Contents	Page
Directors' Report	1
Auditors' Report	2
Profit and Loss Account	3
Balance Sheet	4
Notes to the Financial Statements	5-7

ARLINGTON SECURITIES EUROPE LIMITED

DIRECTOR'S REPORT

The Director presents his report and the audited financial statements of the company for the year ended 31 December 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company acts as the holding company for the European operations of Arlington Securities Plc.

DIRECTORS

The following served as a director during the year.

P Deigman

The Director who held office at 31 December 1995 did not have any beneficial interest in the shares of the company.

The interests of the Director in the shares of the ultimate holding company, are shown in the accounts of the immediate holding company, British Aerospace Properties Limited.

The current Director of this company is included in the Directors and Officers Liability Indemnity cover maintained by the ultimate holding company.

COMPANY STATUS

The company is not a close company within the meaning of Section 414, Income and Corporation Taxes Act 1988.

STATEMENT OF DIRECTORS' 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 of the company 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.

By order of the Board



S. Lyne
Secretary

28 October 1996

ARLINGTON SECURITIES EUROPE LIMITED

REPORT OF THE AUDITORS, KPMG TO THE MEMBERS OF ARLINGTON SECURITIES EUROPE LIMITED

We have audited the financial statements on pages 4 to 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 1 the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit of 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 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 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

28 October 1996

Arlington Business Park
Theale, Reading
Berkshire, RG7 4SD

ARLINGTON SECURITIES EUROPE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 £	1994 £
French TVA written off		-	(198,953)
Administration expenses	2	9,383	(2,121)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)		9,383	(201,074)
Net interest receivable	3	6,077	5,099
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	2	15,460	(195,975)
		<hr/> <hr/>	<hr/> <hr/>

All figures relate to continuing activities.

The company has no recognised gains or losses other than the loss shown above.

ARLINGTON SECURITIES EUROPE LIMITED

BALANCE SHEET AT 31 DECEMBER 1995

	Note	1995 £	1994 £
FIXED ASSETS			
Investments	4	-	-
ASSETS			
Debtors	5	112,003	112,003
Cash at bank and in hand		131,709	116,249
		<u>243,712</u>	<u>228,252</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	6	(424,225)	(424,225)
NET ASSETS		<u>(180,513)</u>	<u>(195,973)</u>
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account	8	(180,515)	(195,975)
		<u>(180,513)</u>	<u>(195,973)</u>

The accounts were approved by the Director on 28 October 1996 and were signed by:



} P Deigman

AD

ARLINGTON SECURITIES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Accounting Convention

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. In addition the financial statements have been prepared on a going concern basis as the immediate holding company has indicated that it intends to provide such funds as are necessary for the company to meet its liabilities as they fall due for the foreseeable future.

(b) Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the date when the transactions took place. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date.

2. RESULT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION

The result on ordinary activities before and after taxation is stated after charging the following:

	1995 £	1994 £
Exchange difference on translation	9,383	(2,121)
	<u> </u>	<u> </u>

Directors emoluments and audit fees are paid by other group undertakings.

3. NET INTEREST RECEIVABLE

Interest receivable in the year	6,077	5,099
	<u> </u>	<u> </u>

4. INVESTMENTS

Shares in group companies		
At 1 January and 31 December 1995	12,023	12,023
Less: provision against investment	(12,023)	(12,023)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

ARLINGTON SECURITIES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1995 £	1994 £
5. DEBTORS		
Amounts owed by subsidiary company	69,556	69,556
Amounts owed by fellow subsidiary company	42,447	42,447
	<u>112,003</u>	<u>112,003</u>
6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed to parent and fellow subsidiary undertakings	424,225	424,225
	<u>424,225</u>	<u>424,225</u>
7. SHARE CAPITAL		
Authorised shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
8. RESERVES		
	1995 £	
Profit and loss account brought forward	(195,975)	
Profit for the financial year	15,460	
	<u>(180,515)</u>	
Profit and loss account carried forward	(180,515)	
	<u>(180,515)</u>	

9. SUBSIDIARY UNDERTAKINGS

Name	Country of Incorporation	Activity
Arlington Securities Europe BV	Netherlands	Property Development

The company owns 100% of the issued share capital of the subsidiary undertaking. No value is attributed to the investment in the accounts of Arlington Securities Europe Limited. The company is exempt from the requirement to prepare group accounts as it is the wholly owned subsidiary of a company incorporated in Great Britain.

ARLINGTON SECURITIES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. HOLDING COMPANY

The company is a wholly owned subsidiary of British Aerospace Properties Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate holding company is British Aerospace Public Limited Company, a company incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of the above companies may be obtained from their respective registered offices as follows:-

British Aerospace Properties Limited
Arlington House
Arlington Business Park
Theale Reading
Berkshire RG7 4SA

British Aerospace Public Limited Company
Warwick House
Farnborough Aerospace Centre
Farnborough
Hampshire GU14 6YU