

MARTIN-BAKER PENSION SCHEME
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2021

PENSIONS SCHEMES REGISTRY NO. 10090466

INDEX

Page 1 - 2	Management and advisers
3 - 8	Report of the Trustees
9 - 10	Investment report
11 - 15	Auditors' reports
16 - 17	Statement of accounting policies
18	Fund account
19	Net assets statement
20 - 23	Notes to the financial statements
24 - 29	Implementation Statement
30	Scheme Actuary's Certification of the Calculation of Technical Provisions
31	Schedule of Contributions
32	Scheme Actuary's Certification of Schedule of Contributions

MARTIN-BAKER PENSION SCHEME**MANAGEMENT AND ADVISERS****YEAR ENDED 30 SEPTEMBER 2021****PRINCIPAL EMPLOYER****Martin-Baker Aircraft Company Limited****TRUSTEES**

P W Badman
J W Martin
G R Ward (Member Nominated)
R J Martin
P A Carpenter (Member Nominated)

**SECRETARY AND ADDRESS
FOR GENERAL AND BENEFIT
ENQUIRIES**

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ACTUARY

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AUDITORS

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MANAGEMENT AND ADVISERS (continued)**INVESTMENT MANAGERS**

M&G Investments
10 Fenchurch Avenue
London EC3M 5AG

Legal & General Investment Management Ltd
One Coleman Street
London EC2R 5AA

abrdn Life & Pensions Limited
Bow Bells House
1 Bread Street
LONDON EC4M 9HH

MARTIN-BAKER PENSION SCHEME**REPORT OF THE TRUSTEES****YEAR ENDED 30 SEPTEMBER 2021**

The Trustees present the report and financial statements of the Martin-Baker Pension Scheme for the year ended 30 September 2021. The financial statements have been prepared and audited in accordance with regulations made under sections 41 (1) and (6) of the Pensions Act 1995.

THE SCHEME

The Martin-Baker Pension Scheme provides defined pension and lump sum benefits payable to members on their retirement from Killinchy Aerospace Holdings Limited and Martin-Baker Aircraft Company Limited, or to their dependants on death before or after retirement.

LEGAL STATUS

The Scheme was established by an Interim Trust Deed dated 1 October 1973 and was governed by a Definitive Trust Deed and Rules dated 18 July 1983. A revised Definitive Trust Deed and Rules dated 13 November 1990 was created, being effective from 6 April 1988. A new Definitive Trust Deed and Rules was made on 26 July 2005, effective from that date. A Deed of Amendment dated 19 September 2013 closed the Scheme for future service accrual with effect from midnight at the end of 30 September 2013, although pensions payable to members who remain in service after that date are linked to final pensionable salary up to age 65. A Deed of Amendment dated 5 August 2019 discontinued the provision of Life Assurance under the Scheme with effect from midnight at the end of 30 September 2019.

The Scheme has been approved as an exempt approved Scheme under the terms of the Income and Corporation Taxes Act 1988. Since 6 April 2006 the Scheme has been classed as a Registered Scheme by HM Revenue & Customs as defined in Section 283, Part 1 of the Finance Act 2004.

TRUSTEES

Under the Definitive Trust Deed, trustees could be appointed or removed by the Principal Employer. This arrangement is no longer permitted and with effect from November 2006 the Scheme has had Member Nominated Trustees.

PARTICIPATING EMPLOYERS

The participating employers, whose employees are entitled to be members of the Scheme, are:

Killinchy Aerospace Holdings Limited
Martin-Baker Aircraft Company Limited

There have been no employer related investments at any time during the year.

MARTIN-BAKER PENSION SCHEME**REPORT OF THE TRUSTEES (continued)****YEAR ENDED 30 SEPTEMBER 2021****INCREASE TO PENSIONS IN PAYMENT**

Pensions arising from service after 5 April 1997 are subject to Limited Price Indexation (LPI). Any other increase is at the discretion of the Trustees. The Trustees have an obligation to review, in association with the Participating Employers, the level of pensions in payment every three years. The deficit at the end of September 2020 meant that they were not able to exercise their discretion to grant an increase to the pensions not subject to LPI.

FINAL SALARY PENSION SECTION

This section was closed to new employees with effect from 1 January 2005. This section was originally non-contributory, but with effect from 1 October 2006, members were required to contribute towards the cost of this arrangement. Members of this section could transfer to the Cash Benefit section, which was non-contributory. This section of the Scheme was closed to future service accrual with effect from midnight at the end of 30 September 2013 (as mentioned above).

CASH BENEFIT SECTION

Employees commencing service with the Principal Employer between 1 January 2005 and 30 September 2012 were eligible to join a section of the Scheme which provides a cash benefit on retirement in addition to Life Assurance while in active service. Members of this Cash Benefit section did not start to earn their retirement benefits until they had completed one year of service with the Company. If they did not exercise the option to join this section on completion of one year's service, the option lapsed. This section of the Scheme was closed to future service accrual with effect from midnight at the end of 30 September 2013 (as mentioned above).

DEATH IN SERVICE COVER

Since 1 October 2019, death in service cover is provided by a separate trust.

MARTIN-BAKER PENSION SCHEME**REPORT OF THE TRUSTEES (continued)****YEAR ENDED 30 SEPTEMBER 2021**

MEMBERSHIP	<u>NOTES</u>	<u>2021</u>	<u>2020</u>
EMPLOYED MEMBERS WITH SALARY LINKAGE			
Final Salary Members		170	180
Cash Benefit Members		89	90
Members with both Final Salary & Cash Benefit	1	10	11
		<u>269</u>	<u>281</u>
PENSIONER MEMBERS			
Members receiving pension from Company service	2	528	536
Members receiving Dependant's pension only		182	178
		<u>710</u>	<u>714</u>
DEFERRED PENSIONER MEMBERS			
Final Salary Members		189	207
Cash Benefit Members		52	53
Members with both Final Salary & Cash Benefit	1	3	3
		<u>244</u>	<u>263</u>
TOTAL		<u>1223</u>	<u>1258</u>

NOTES

1. Some employees chose not to contribute towards the cost of the Final Salary Pension after the Scheme became contributory and became members of the Cash Benefit section of the Scheme.
2. Some Pensioners receive pensions from their own service with the Company and a Dependant's pension in addition, if their spouse had also worked for the Company.
3. Some Members have had two periods of service with the Company, which may have different rules applied to each period of service. This, plus the options available following "pensions freedoms", means that they may have entitlements to benefits in more than one of the categories appearing above.

MARTIN-BAKER PENSION SCHEME**REPORT OF THE TRUSTEES (continued)****YEAR ENDED 30 SEPTEMBER 2021**

FINANCIAL HIGHLIGHTS	£000
The financial development of the Scheme during the year can be summarised as follows:	
The total of contributions received from the participating employers, death benefits and transfer values received during the year was	6
Gain realised on sales of investments	382
Investment and other income, less expenses, amounted to	1,468
	<hr/>
	1,856
Benefits paid, including transfer values, contribution refunds and term insurance premiums amounted to	(4,206)
	<hr/>
Leaving a deficit to be deducted from the Accumulated Fund of	(2,350)
The value of the Fund at the beginning of the year was	117,022
Increase/(Decrease) in unrealised gains on investments	10,336
	<hr/>
Making the value of the Fund at 30 September 2021	125,008
	<hr/>

ACTUARIAL POSITION

A copy of the Actuary's Certification of the Calculation of Technical Provisions as at 1 October 2020, signed on 11 May 2021, appears on page 30. The Valuation indicated that the resources of the Scheme are insufficient to meet in full the liabilities of the Scheme as they fall due, based on the Scheme's Statement of Funding Principles. The Trustees and the Principal Employer believe that this is a temporary situation. The Principal Employer has placed £15 million in an escrow account which the Trustees may draw upon if an actuarial deficit is shown by the Valuation on 1 October 2023. The Schedule of Contributions, which appears on page 31, shows that no contributions are required in respect of future accrual. The Schedule also states that no deficit funding contributions are required, because of the existence of the escrow account.

MARTIN-BAKER PENSION SCHEME

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 30 SEPTEMBER 2021

TRUSTEES' RESPONSIBILITIES STATEMENT

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS102) are the responsibility of the Trustees. Pension scheme regulations require and the Trustees are responsible for ensuring that those Financial Statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

MARTIN-BAKER PENSION SCHEME

REPORT OF THE TRUSTEES (continued)

YEAR ENDED 30 SEPTEMBER 2021

TRUSTEES' SUMMARY OF CONTRIBUTIONS

During the year, no contributions were paid to the Scheme by the Employer. No contributions were required to be paid to the Scheme under the Schedule of Contributions, as Life Cover is no longer provided under the Scheme.

Signed on behalf of the Trustees on 8th February 2022



R J Martin
Trustee



P A Carpenter
Trustee

MARTIN-BAKER PENSION SCHEME**INVESTMENT REPORT****YEAR ENDED 30 SEPTEMBER 2021**

The Trustees aim to divide the Scheme investments between equities and bond-like instruments in order to manage the risk inherent in investment in one class of instrument. The Trustees perform regular reviews of the investment strategy and implemented a revised strategy during the 2019 Scheme year. The revised strategy reduced the exposure to equities from about 50% to about 30%. The aim of the current strategy is to reduce the volatility in the value of the investments held by the Scheme.

The Trustees' investment profile targets as at 30 September 2021 were:-

- 25-35% in the L&G Global Equity 60:40 Index Tracker Fund
- 10-20% in the L&G Over 5 Year Index-Linked Gilts Fund
- 20-30% in the M&G Long-Dated Corporate Bond Inc Fund
- 5-15% in the M&G Property Fund (INC)
- 15-25% in the abrdn Life Diversified Growth Fund

The L&G and abrdn investments are accumulation units. The M&G units are now distribution units.

The annualised returns on the current investments for periods of one, three and five years ending 30 September 2021 are as follows:-

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
L&G Global Equity 60:40 Index Tracker Fund	+25.9%	+6.3%	+ 8.2%
L&G Over 5 Year Index-Linked Gilts Fund	+ 0.2%	+6.6%	+ 3.3%
M&G Long Dated Corporate Bond Inc Fund	- 2.1%	+7.9%	-%
M&G Property Fund (INC)	+10.6%	+1.5%	0.0%
abrdn Life Diversified Growth Fund	+15.5%	+4.5%	+ 4.9%

During the last two years Covid-19 has affected the performance of all financial markets. The impact on the Scheme was a significant adverse effect on the performance in the previous year of the L&G Global Equity Fund, the M&G Property Fund and the abrdn Life Diversified Growth Fund. All of these funds have shown a significant recovery during the current year. It is likely that there will be volatility in the future value of the Scheme investments.

Since the end of the financial year, the managers of the M&G Property Fund (INC) have decided to close the Fund and have commenced an orderly disposal of all of the Fund's assets.

MARTIN-BAKER PENSION SCHEME**INVESTMENT REPORT (continued)****YEAR ENDED 30 SEPTEMBER 2021**

The distribution of assets at the beginning and end of the year is shown in the table below.

	30 September 2021 %	30 September 2020 %
UK Equities	20.1	16.9
International Equities	16.2	14.0
Miscellaneous	2.5	2.7
Fixed Interest & Cash	47.3	50.9
Gilts and Fixed Interest	44.1	48.5
Cash & Other Liquid Assets (including Cash at Bank)	3.2	2.4
Property	13.9	15.5
Total	100.0	100.0
Total Market Value of the Fund	£125,064,302	£117,079,240

The securities that are held by the Fund are regarded as readily marketable, with the exception of the M&G property units. As noted previously, the managers of this Fund have decided to close the Fund and liquidate all of the assets. All of the investments are made in accordance with the Statement of Investment Principles, a copy of which is available on request. It can also be viewed on the Pension Scheme's website www.martinbakerpensions.com.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE MARTIN-BAKER PENSION SCHEME

OPINION

We have audited the financial statements of the Martin-Baker Pension Scheme (the Scheme) for the year ended 30 September 2021, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 September 2021, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE MARTIN-BAKER PENSION SCHEME (Continued)

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised or issued.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the financial statements, and our Auditor's Report thereof. The Trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially mis-stated. If we identify such material inconsistencies or apparent material mis-statements, we are required to determine whether this gives rise to a material mis-statement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material mis-statement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustees' Responsibilities Statement set out on page 7, the Scheme's Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE MARTIN-BAKER PENSION SCHEME (Continued)

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material mis-statement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material mis-statement when it exists. Mis-statements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material mis-statements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Scheme. We determined that the following were most significant: the Pension SORP 2018, the UK Pensions Regulator (TPR).
- We obtained an understanding of how the Scheme complies with those legal and regulatory frameworks by making enquiries of the Trustees of the Scheme. We corroborated our enquiries through our review of correspondence during our audit work.
- We assessed the susceptibility of the Scheme's financial statements to material mis-statements, including how fraud might occur. Audit procedures performed included:
 - Identifying and assessing the design effectiveness of controls the Trustees have in place to prevent and detect fraud.
 - Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process.
 - Challenging assumptions and judgements made by the Trustees in significant accounting estimates.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE MARTIN-BAKER PENSION SCHEME (Continued)

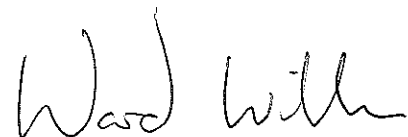
- Identifying and testing journal entries, in particular any journal entry posted with unusual account combinations; and
- Assessing the extent of compliance with the relevant laws and regulations.
- Assessing how the Trustees monitor pensioner existence and thereby ensure pensions are only paid to living pensioners.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material mis-statement in the financial statements or non-compliance with regulations. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of any instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intention concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Belgrave House, 39-43 Monument Hill
Weybridge, Surrey
KT13 8RN

WARD WILLIAMS LIMITED
Chartered Accountants
and Statutory Auditor

14th February 2022

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE MARTIN-BAKER PENSION SCHEME

We have examined the summary of contributions to the Martin-Baker Pension Scheme for the scheme year ended 30 September 2021, which is set out in the Trustees' Report on page 8.

STATEMENT ABOUT CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE OF CONTRIBUTIONS

In our opinion contributions for the Scheme year ended 30 September 2021 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 11 May 2021.

SCOPE OF WORK ON STATEMENT ABOUT CONTRIBUTIONS

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND THE AUDITOR

As described more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

USE OF OUR REPORT

This report is made solely to the Trustees, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an Auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our work, for this report, or for the opinions we have formed.



Belgrave House, 39-43 Monument Hill
Weybridge, Surrey
KT13 8RN

WARD WILLIAMS LIMITED
Chartered Accountants
Registered Auditors

14th February 2022

MARTIN-BAKER PENSION SCHEME

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 30 SEPTEMBER 2021

Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised June 2018), with the exception of the treatment of Additional Voluntary Contributions which are dealt with as explained in Note 7.

The financial statements are presented in Sterling, which is the functional currency of the Scheme and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Listed Investments

Listed investments are stated at fair value based on the quoted bid price for the relevant units at the year end.

Investment Income

Investment income is accounted for when received, except that when an investment is valued ex dividend that dividend is included in the revenue account.

Contributions

Following the closure of the Scheme to future service accrual, no ordinary contributions are required from either the participating employers or the members. If special contributions are required from the participating employers in future, these will be accounted for when received. The participating employers also meet the costs of administration of the Scheme. Since April 2014, the payments for these costs have been made directly to the providers, but before that date the relevant contributions were accounted for when due.

Expenditure

All expenses and benefits are accounted for on an accruals basis, except that no account is taken of the long term liabilities to pay benefits. Members who leave the plan are assumed to have taken a preserved pension until the Trustees are advised otherwise.

MARTIN-BAKER PENSION SCHEME**STATEMENT OF ACCOUNTING POLICIES****YEAR ENDED 30 SEPTEMBER 2021 (continued)****Going Concern**

Covid-19 impacted the value of the investments during the previous year. This resulted in the Scheme being in a deficit position as at 30 September 2020. The investments have performed well during the current year and the Scheme is probably in surplus as at 30 September 2021. The Principal Employer has proved to be resilient to the effects of Covid-19. In order to protect the Scheme against volatility in the markets the Principal Employer has funded an escrow account valued at £15 million. This escrow account may be used to fund a deficit if one is revealed by the triennial valuation due in 2023, otherwise the funds will be released to the Principal Employer.

MARTIN-BAKER PENSION SCHEME

18.

FUND ACCOUNT**YEAR ENDED 30 SEPTEMBER 2021**

	Note	2021 £	2020 £
Contributions and Benefits			
Transfers in	1	6,110	42,238
Benefits payable	2	4,173,688	3,885,127
Other payments	3	32,670	324,874
Administrative expenses	4	60	52
		4,206,418	4,210,053
Net (withdrawals) from dealings with members and employers		(4,200,308)	(4,167,815)
Returns on investments			
Investment income	5	1,467,877	1,206,418
Change in market value of investments	6	10,717,876	(2,985,748)
		12,185,753	(1,779,330)
Net increase/(decrease) during the year		7,985,445	(5,947,145)
Net assets of the Scheme			
At 1 October 2020		117,022,457	122,969,602
At 30 September 2021		125,007,902	117,022,457


The fund has no recognised gains and losses other than those reflected above and therefore no separate statement of total recognised gains and losses has been presented.


MARTIN-BAKER PENSION SCHEME**NET ASSETS STATEMENT****YEAR ENDED 30 SEPTEMBER 2021**

	2021 £	2020 £
Investments		
Legal & General	56,634,524	48,134,864
M&G	43,506,340	46,435,812
abrdn LIFE	20,977,769	20,330,081
Santander (formerly Abbey National plc)	661,175	728,130
Total investments	121,779,808	115,628,887
Current Assets and Liabilities		
Pre-payments and accrued income	3,111	771
Cash at bank	3,284,494	1,450,353
Less sundry creditors	(59,511)	(57,554)
Net current assets	3,228,094	1,393,570
Net assets of the Scheme at 30 September 2021	125,007,902	117,022,457

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustees' Report and Actuarial Certificates/Statements included in the annual Report and these financial statements should be read in conjunction with them.

These financial statements were approved by the Trustees on 8th February 2022

R J Martin  Trustee

P A Carpenter  Trustee

MARTIN-BAKER PENSION SCHEME**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 SEPTEMBER 2021****1 TRANSFERS IN**

	2021 £	2020 £
Receipt of AVC funds to purchase pensions benefits	6,110	42,238
	<u>6,110</u>	<u>42,238</u>

2 BENEFITS

	2021 £	2020 £
Pensions	3,211,134	3,167,940
Lump Sums in part commutation of benefits	962,554	689,421
Death benefits	0	27,766
	<u>4,173,688</u>	<u>3,885,127</u>

Lump Sums in part commutation of benefits above include a payment of £132,712 paid to HMRC regarding the applicable tax charge concerning a member who exceeded his Lifetime Allowance.

3 OTHER PAYMENTS

	2021 £	2020 £
Individual transfers and refunds	32,670	324,874
	<u>32,670</u>	<u>324,874</u>

Transfers out of the Scheme make no allowance for any discretionary benefits.

MARTIN-BAKER PENSION SCHEME**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 30 SEPTEMBER 2021****4 EXPENSES**

	2021 £	2020 £
Miscellaneous	60	52
	<hr/> 60	<hr/> 52
	<hr/> <hr/>	<hr/> <hr/>

The participating employers pay most of the expenses directly to the providers. This includes the cost of the annual audit, which will not be recharged to the Scheme.

5 INVESTMENT INCOME

	2021 £	2020 £
Interest on cash deposits	97	8,367
Dividends	1,467,780	1,198,051
	<hr/> 1,467,877	<hr/> 1,206,418
	<hr/> <hr/>	<hr/> <hr/>

MARTIN-BAKER PENSION SCHEME**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 30 SEPTEMBER 2021****6. INVESTMENTS**

	Value at 01.10.2020 £	Purchases at Cost £	Sales Proceeds £	Change in market value £	Value at 30.09.2021 £
Legal & General (Equity)	32,525,108	0	0	8,462,172	40,987,280
Legal & General (ILG)	15,609,756	0	0	37,488	15,647,244
M & G (Bonds) - Inc	33,786,997	0	0	(1,722,927)	32,064,070
M & G (Property) - Inc	12,648,815	0	(2,000,000)	793,455	11,442,270
Aberdeen Standard	20,330,081	0	(2,500,000)	3,147,688	20,977,769
Santander (Cash)	728,130	0	(66,955)	0	661,175
	115,628,887	0	(4,566,955)	10,717,876	121,779,808

The Scheme's investment assets are stated at fair value based on quoted bid value.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

7. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Members were permitted to make Additional Voluntary Contributions which are invested with Utmost Life (formerly Equitable Life Assurance Society), Santander (formerly Abbey National plc) or Clerical Medical, at the contributing member's option. The funds accumulated by these contributions can only be used to provide additional pensions benefits within the overall limits allowed by HM Revenue & Customs.

In these accounts no value is placed on the investment accounts held by the Trustees under these arrangements. The benefits accrued under these arrangements are accounted for to the members concerned when the benefits become payable. The accumulated value of the investment accounts at the last anniversary of each fund amounted to £652,706 (2020: £662,155).

MARTIN-BAKER PENSION SCHEME**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 30 SEPTEMBER 2021**

The funds accrued under these arrangements may be applied in a number of ways laid down by HM Revenue & Customs, at the member's option. The chosen benefits have to be purchased via the Scheme. The receipt of these funds by the Trustees is included in the transfers in for the year (See Note 1). The cost of the various benefits is included in the relevant heading in Note 2.

8. INVESTMENT RISK DISCLOSURES

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Investment Report. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management and the Scheme's exposure to credit and market risks are set out in the Investment Report.

MARTIN-BAKER PENSION SCHEME

IMPLEMENTATION STATEMENT

YEAR ENDED 30 SEPTEMBER 2021

An expanded version of the Implementation Statement drafted by our investment consultants appears on the Scheme's website (www.martinbakerpensions.com). The expanded version includes links to the investment managers' websites, where they publish their full voting records.

HOW VOTING AND ENGAGEMENT POLICIES HAVE BEEN FOLLOWED

The Scheme invests entirely in pooled funds and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

The Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their 5 November 2019 Trustees Meeting and were satisfied that their policies were reasonable and no remedial action was required at that time.

The Trustees reviewed the stewardship and engagement activities of their investment managers on an ongoing basis during the year and were satisfied that the policies followed by the managers were reasonable and in alignment with the Trustees' own policies. No remedial action was required during the period.

The Trustees receive and review voting information and engagement policies provided by the asset managers, and our investment advisers as necessary, on an annual basis. The voting and engagement information is reviewed to ensure it aligns with the Scheme's policies.

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme assets:

- Legal and General Investment Management ("L&G")
- abrdrn (Aberdeen Standard)
- M&G Investments

Set out below is a table of the Scheme's funds:

Asset Class	Fund Name
Equities	L&G Global Equity (60:40) Index Fund
Diversified Growth	abrdrn Diversified Growth Fund
Property	M&G Investments Property Fund
Corporate Bonds	M&G Investments Long Dated Corporate Bond Fund
Gilts	L&G Over 5 Year Index-Linked Gilts Index Fund

MARTIN-BAKER PENSION SCHEME**IMPLEMENTATION STATEMENT****YEAR ENDED 30 SEPTEMBER 2021 (continued)****VOTING DATA**

Voting only applies to funds that hold equities in their portfolio. The Scheme's equity investments are all held through pooled funds. The investment managers for these funds vote on behalf of the Trustees.

The table below provides a summary of the voting activity undertaken by each manager on behalf of the Trustees over the year to 30 September 2021, together with information on any key voting priorities and information on the use of proxy voting advisers by the managers.

Manager	abrdn	Legal and General
Fund Name	Diversified Growth	Global Equity (60:40)
Structure	Pooled	Pooled
Date of data used	Year to 30 September 2021	Year to 30 September 2021
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour	
Number of company meetings the manager was eligible to vote on over the year	643	2,666
Number of resolutions the manager was eligible to vote on over the year	8,681	33,599
Percentage of resolutions the manager voted on	97.9%	99.8%
Percentage of resolutions the manager abstained from	0.8%	0.2%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	88.1%	82.9%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	11.9%	17.1%
Percentage of resolutions voted contrary to the recommendation of the proxy adviser	2.5%	11.7%

The Scheme's allocation to the M&G Corporate Bond Fund and the L&G Gilts Fund do not offer ownership participation in a company through voting rights and therefore the managers cannot vote on behalf of the holdings within their fund.

The M&G Investments Property Fund is solely invested in the M&G Pooled Pensions UK Property Fund (PPLP). The PPLP has been excluded from the table above as M&G has stated that it is not applicable to the requirement to meet voting rights, as investors have access to PPLP via insurance policies issued by Prudential Pensions Limited.

MARTIN-BAKER PENSION SCHEME**IMPLEMENTATION STATEMENT****YEAR ENDED 30 SEPTEMBER 2021 (continued)****SIGNIFICANT VOTES**

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote, so for this Implementation Statement the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. A summary of the data each manager has provided on three significant votes is set out below.

abr dn, Diversified Growth Fund

	VOTE 1	VOTE 2	VOTE 3
Company name	Akzo Nobel NV	Oracle Corporation	HSBC Holdings plc
Date of vote	22 April 2021	4 November 2020	28 May 2021
Votable Shares	3,055	5,487	121,675
Summary of the resolution	Approve Remuneration Report	Report on Gender Pay Gap	Approve Climate Change Resolution
How the manager voted	Against	For	For
Rationale for the voting decision	abr dn is concerned regarding the CEO’s variable remuneration outcomes in view of the receipt of government support of EUR 33m.	Oracle appears to be lagging behind its peers in gender pay reporting. Additional information would allow investors to assess Oracle’s progress in Diversity & Inclusion. This is in line with how abr dn has voted previously.	abr dn engaged with both the proponent and company in relation to the proposal. It is supportive of a move toward alignment with the Paris goals. Following constructive discussion, the proponents withdrew their original resolution and the company offered investors the opportunity to vote on its climate approach.
Criteria on which the vote is considered “significant”	abr dn deems these votes significant because they: <ul style="list-style-type: none"> • Focus on votes which received public and press interest, with a focus on their large, active holdings • Focus on votes which reflect significant governance concerns regarding the company • Resolutions proposed by abr dn 		

MARTIN-BAKER PENSION SCHEME**IMPLEMENTATION STATEMENT****YEAR ENDED 30 SEPTEMBER 2021****(continued)****Legal and General, Global Equity Fixed Weight (60:40) Index**

	VOTE 1	VOTE 2	VOTE 3
Company name	Amazon.com, Inc	Imperial Brands plc	Informa Plc
Date of vote	26 May 2021	3 February 2021	3 June 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%	0.4%	0.2%
Summary of the resolution	Resolution 1a Elect Director Jeffrey P. Bezos	Resolutions 2 and 3: Approve Remuneration Report, and Approve Remuneration Policy	Resolutions 3, 5, 7 and 11: Re-elect Stephen Davidson as Director, re-elect Mary McDowell as Director, Re-elect Helen Owers as Director, and Approve Remuneration Report
How the manager voted	Against	Against (both)	Against (all four)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		

MARTIN-BAKER PENSION SCHEME**IMPLEMENTATION STATEMENT****YEAR ENDED 30 SEPTEMBER 2021 (continued)**

Rationale for the voting decision	L&G has a longstanding policy advocating the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Furthermore, L&G has published a guide for boards on the separation of the roles of chair and CEO, and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. This has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both L&G and the Investment Association. Prior to the AGM, L&G engaged with the company outlining what its concerns were over the remuneration structure.	L&G has noted concerns with the company's remuneration practices for many years. Due to consistent problems with the implementation of the company's Remuneration Policy and various recent events, L&G has voted against the Chair of the Remuneration Committee for the past three years. Given the company has recently implemented plans that received significant dissent from shareholders without addressing persistent concerns, L&G escalated its vote further to all incumbent Remuneration Committee members.
Outcome of the vote	95.1% of shareholders supported the resolution	59.7% supported Resolution 2 (Approve Remuneration Report) 95.3% supported Resolution 3 (Approve Remuneration Policy)	Resolution 3: 53.4% supported Resolution 5: 80% supported Resolution 7: 78.1% supported Resolution 11: 38.3% supported
Implications of the outcome	L&G will continue to engage with the investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	L&G continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association.	L&G will continue to seek to engage with the company and monitor progress.
Criteria on which the vote is considered "significant"	L&G considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	L&G is concerned over the ratcheting up of executive pay. It believes executive directors must take a long-term view of the company in their decision-making process, so executives' post-exit shareholding guidelines should be set.	L&G considers this vote to be significant as it took the rare step of publicly pre-declaring it before the shareholder meeting. L&G pre-declares its vote intention for a number of reasons, including: as part of an escalation strategy, where it considers the vote to be contentious, or as part of a specific engagement programme.

MARTIN-BAKER PENSION SCHEME**IMPLEMENTATION STATEMENT****YEAR ENDED 30 SEPTEMBER 2021 (continued)****EXAMPLES OF ENGAGEMENTS UNDERTAKEN**

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Manager	Legal & General	Legal & General	abrdn	M&G Investments	M&G Investments
Fund Name	Global Equity (60:40) Index Fund	Over 5 Year Index-Linked Gilts Index Fund	Diversified Growth Fund	Property Fund	Long Dated Corporate Bond Fund
Does the manager perform engagement on behalf of the holdings of the fund?	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes
Number of entities engaged on behalf of the holdings in this fund in the year	Not available	Not available	Not available	12	5
Number of engagements undertaken at a firm level in the year	988	988	2451	Not available	Not available

Martin-Baker Pension Scheme

Certification of the Technical Provisions

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 1 October 2020 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated May 2021.

Signature:

Vanessa Smart

Date:

11 May 2021

Name:

Vanessa Smart FIA

Qualification:

Fellow of the Institute and Faculty of Actuaries

Address:

Barnett Waddingham LLP
Decimal Place
Chiltern Avenue
Amersham
HP6 5FG

Employer:

Barnett Waddingham LLP

Martin-Baker Pension Scheme Schedule of Contributions

Status

This Schedule of Contributions has been prepared by the Trustees of the Martin-Baker Pension Scheme (the Scheme), after obtaining the advice of the Scheme Actuary appointed by the Trustees.

Contributions to be paid by the Employer from 1 October 2020 to 30 September 2025

The Scheme closed to future accrual on 30 September 2013 so no contributions are required in respect of future accrual.

As at 1 October 2020 the Scheme was in deficit on the Technical Provisions basis agreed by the Trustees and Employers, before taking into account the Escrow agreement dated 12 November 2019.

Since there was a deficit at the 1 October 2020 valuation, under the terms of the Escrow agreement, any funding deficit on the Technical Provisions basis at the 1 October 2023 valuation will be paid in full (up to a maximum of £15m). The deficit as at 1 October 2020 was £4,494,000, and so the funds in the Escrow account are expected to eliminate any deficit in the Scheme on the Technical Provisions basis following the 1 October 2023 valuation.

Martin-Baker Aircraft Company Limited shall separately pay the Pension Protection Fund levy and the expenses associated with administering and operating the Scheme.

The Employer may pay contributions in addition to the amounts shown above at any time.

This schedule has been agreed by the Trustees and the Employer

P.W. Badner

Signed on behalf of the Trustees of the Martin-Baker Pension Scheme

11th May 2021
Date

A.K. Hoj

Signed on behalf of Martin-Baker Aircraft Company Limited

11th May 2021
Date

J. Martin

Signed on behalf of Killinchy Aerospace Holdings Limited

11th May 2021
Date

Martin-Baker Pension Scheme

Certification of the Schedule of Contributions

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective is expected to be met by the end of the period which the schedule is expected to be in force.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated May 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature:

Vanessa Smart

Date:

11 May 2021

Name:

Vanessa Smart FIA

Qualification:

Fellow of the Institute and Faculty of Actuaries

Address:

Barnett Waddingham LLP
 Decimal Place
 Chiltern Avenue
 Amersham
 HP6 5FG

Employer:

Barnett Waddingham LLP