

Company Number: 212802

**BAE SYSTEMS PENSION FUNDS**  
**INVESTMENT MANAGEMENT LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**5th April 2005**



## **BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors present their report for the year ended 5<sup>th</sup> April 2005.

#### **Activities**

The Company is the appointed investment manager of the invested assets of BAE SYSTEMS plc's occupational pensions schemes. The Company has been regulated by the Investment Management Regulatory Organisation Limited ("IMRO") since 28th April 1988 and IMRO powers were assumed by the Financial Services Authority on the 1 December 2001 with the enactment of the Financial Services and Markets Act.

#### **Directors**

The Directors of the Company during the year were:

Mr. D. Brief  
Mr. S.R. Burley  
Mr. G.W. Rose

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:

<b>Directors</b>	<b>Ord. Shares of 2.5p</b>		<b>Share Options</b>			
	<b>6.4.04</b>	<b>5.4.05</b>	<b>6.4.04</b>	<b>Exercised</b>	<b>Granted</b>	<b>5.4.05</b>
D. Brief	1,772	1,772	197,117	-	43,244	240,361
S.R. Burley	-	-	-	-	-	-

<b>Director</b>	<b>Conditional Awards of Shares under BAe Performance Share Plan</b>			
	<b>6.4.04*</b>	<b>Exercised/ Lapsed</b>	<b>Granted</b>	<b>5.4.05</b>
D. Brief	72,939	-	28,539	101,478

#### **Auditors**

Pursuant to a shareholders' resolution, the Company is not obliged to re-appoint its auditors annually and KPMG Audit plc will therefore continue in office.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'A-L Holding', written over the printed name.

A-L Holding  
Secretary

Date: 27 July 2005

Warwick House  
P.O. Box 87  
Farnborough Aerospace Centre,  
Farnborough,  
Hants.  
GU14 6YU

### 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 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; and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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' Responsibilities

It is the responsibility of the Auditors to form an independent opinion, based on their audit of the financial statements, and to report that opinion to the members of the Company. A copy of the Auditors' Report is included on page 5.

## **Independent auditors' report to the members of BAE SYSTEMS Pension Funds Investment Management Limited**

We have audited the financial statements on pages 7 to 9.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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 have been properly prepared in accordance with the Companies Act 1985. 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 group 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 group'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 5 April 2005 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*  
One Canada Square  
London  
E14 5AG

27 July 2005

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 5th April 2005**

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

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

**BALANCE SHEET AS AT 5th April 2005**

	5th April 2005 £	5th April 2004 £
Amounts owed by group companies (Note 4)	<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 27 July 2005.

  
D. Brief  
Director

The notes on page 9 form part of these accounts.



## **BAE SYSTEMS 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. **Ultimate Holding Company**

The ultimate holding company is BAE SYSTEMS plc, 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 BAE SYSTEMS plc can be obtained from the Company Secretary, 6 Carlton Gardens, London, SW1Y 5AD.

3. **Directors' Emoluments**

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

4. **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.

5. **Contingent Liabilities**

There were no contingent liabilities at the balance sheet date.