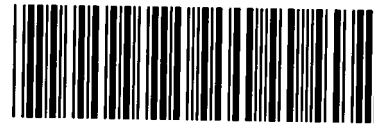


Company Number: 00212802

**BAE SYSTEMS PENSION FUNDS  
INVESTMENT MANAGEMENT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
5 APRIL 2020**

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

Company Number: 00212802

### **STRATEGIC REPORT**

The Directors present their strategic report for the year ended 5 April 2020.

The Company is regulated by the Financial Conduct Authority following the enactment of the Financial Services Act 2012.

#### **Business Model**

During the year the Company provided investment management services to the invested assets of the following BAE Systems plc occupational pension schemes: BAE Systems Pension Scheme (comprising the BAE Systems Section and the Airbus Section), BAE Systems 2000 Pension Plan, BAE Systems Executive Pension Scheme, Royal Ordnance Pension Scheme, Alvis Pension Scheme and Shipbuilding Industries Pension Scheme.

In October 2019 the BAE Systems 2000 Pension Plan, the Alvis Pension Scheme and the Shipbuilding Industries Pension Scheme were merged with the BAE Systems Section of the BAE Systems Pension Scheme. Consequently the Company is currently the lead investment manager for the BAE Systems Pension Scheme and the BAE Systems Executive Pension Scheme and also provides some investment management services to the Royal Ordnance Pension Scheme.

The Company itself is non-trading, consisting of an intercompany loan provided to BAE Systems plc of which the terms of the loan are non-interest bearing and repayable on demand. Investment management services are provided to the pension schemes by using staff from BAE Systems plc where the costs are accumulated and recharged to the schemes.

There are no foreseeable changes to the business or its business model.

#### **Principal risks**

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries affected. Many governments, including the UK Government, have taken stringent steps to help contain or delay the spread of the virus. The immediate impact of this included a significant increase in economic uncertainty and volatility in financial markets, and also operational challenges in maintaining normal working practices.

The company, and its key service providers, have put in place business continuity measures that have allowed it to continue to provide services to its clients with no significant interruptions to date. However, due to the uncertainty of the outcome of the current events, there remains a risk to the Company and the Directors will continue to monitor the impact of the pandemic on the activities of the Company.

The Company is exposed to credit risk on its intercompany loan however, due to the financial strength of the parent company, the Company does not believe that this is a significant risk.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**DIRECTORS REPORT**

The Directors present their directors report for the year ended 5 April 2020.

**Directors and Company Secretary**

The Directors of the Company during the year and at the date of this report were:

Mr. D.G. Adam	
Mr. A.J. Gallagher	
Mr. N.P. Tinsley	(resigned on 30 September 2019)
Mrs. K.E. Davies	(appointed on 1 October 2019)
Mr. P.J. Lynas	(resigned on 31 December 2019)
Mr. B.M. Greve	Chairman (appointed on 1 January 2020)

Mrs H. Clifton resigned as the Company Secretary and Miss B. Effanga was appointed on 6 September 2019.

**Statement of disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BY ORDER OF THE BOARD



B. Effanga  
Company Secretary

Date: 15 July 2020

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

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK 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 will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

**Opinion**

We have audited the financial statements of BAE Systems Pension Funds Investment Management Limited (the 'company') for the year ended 5 April 2020, which comprise the Statement of comprehensive income, the Statement of changes in equity, Statement of cashflows, Statement of financial position and notes to the financial statements, including a summary of 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:

- give a true and fair view of the state of the company's affairs as at 5 April 2020 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 company 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.

**The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with these particular events.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED  
(CONTINUED)**

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**  
Company Number: 00212802

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED  
(CONTINUED)**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matter on which we are required to report under the Companies Act 2006**

- In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED  
(CONTINUED)**

**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 misstatement, 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 misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:  
[www.frc.org.uk/auditorsresponsibilities](http://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

*Grant Thornton UK LLP*

William Pointon  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
LONDON  
Date: 20 July 2020



**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**  
Company Number: 00212802

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 5 APRIL 2020**

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 statement of comprehensive income has therefore not been prepared.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 5 APRIL 2020**

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. The Company has made no changes to the structure of its Capital or Reserves. A Statement of Changes in Equity has therefore not been prepared.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 5 APRIL 2020**

The Company does not hold any cash balances, nor does it hold a bank account. A Statement of Cash Flows has therefore not been prepared.

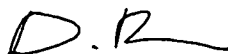
**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**STATEMENT OF FINANCIAL POSITION  
AS AT 5 APRIL 2020**

	<b>Note</b>	<b>5 April 2020 £</b>	<b>5 April 2019 £</b>
<b>CURRENT ASSETS</b>			
Amounts due from related parties	6	15,166,941	15,166,941
<b>NET ASSETS</b>		<b>15,166,941</b>	<b>15,166,941</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	5,015,000	5,015,000
Share Premium Account	8	1,302,104	1,302,104
Capital Redemption Reserve	8	2,699,235	2,699,235
Profit and Loss Account	8	6,150,602	6,150,602
		<b>15,166,941</b>	<b>15,166,941</b>

These financial statements were approved by the Board of Directors on 15 July 2020.



David Adam  
Director

The notes on pages 11 to 13 form part of these financial statements.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Company information**

BAE Systems Pension Funds Investment Management Limited is a company limited by its share capital, incorporated in the United Kingdom under company number 00212802.

The Company's registered address is: Warwick House, P.O. Box 87, Farnborough Aerospace Centre, Farnborough, Hampshire, GU15 6YU.

The Company is currently the lead investment manager for the BAE Systems Pension Scheme and the BAE Systems Executive Pension Scheme and also provides some investment management services to the Royal Ordnance Pension Scheme.

**2. Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis

The financial statements are presented in Sterling (£).

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

**3. Significant judgements and estimates**

The key assumption drawn by the Directors in preparing these financial statements is that the amount owed by BAE Systems plc, as disclosed in note 6, continues to be fully recoverable from BAE Systems plc and that BAE Systems plc has the ability to settle the debt, in full, on demand.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4. Principal accounting policies**

Basic financial instruments including trade and other receivables are initially recognised at transaction price, and subsequently carried at amortised cost using the effective interest method with any changes recognised in profit or loss.

**5. Directors' emoluments**

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

**6. Amounts due from related parties**

The amount due from related parties is in respect of a loan to BAE Systems plc. The loan bears no interest and is repayable on demand.

No impairment has been made against the loan.

**7. Called up share capital**

	<b>5 April 2020</b>	<b>5 April 2019</b>
	<b>£</b>	<b>£</b>
Authorised, allotted and fully paid		
5,015,000 ordinary shares of £1 each	5,015,000	5,015,000
	<b>5,015,000</b>	<b>5,015,000</b>

Each share carries equal voting rights.

**8. Reserves**

Called-up share capital represents the nominal value of shares that have been issued.

The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share capital.

The capital redemption reserve is a non-distributable reserve into which the Company has transferred amounts following the redemption of its own shares.

The profit and loss account includes all historic retained profits and losses.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Related party transactions**

Other than the intercompany loan disclosed in Note 6, additional related party transactions relate to the costs of the annual audit which were borne by the company's ultimate holding company without any right of reimbursement and the provision of staff from company's ultimate holding company for which no recharge is made.

**10. 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 financial statements into its financial statements. Copies of the Annual Report and Accounts of BAE Systems plc can be obtained from the Company Secretary, 6 Carlton Gardens, London, SW1Y 5AD.