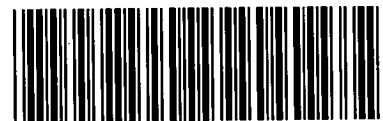


Company Number: 212802

**BAE SYSTEMS PENSION FUNDS
INVESTMENT MANAGEMENT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
5 APRIL 2018**

WEDNESDAY



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COMPANIES HOUSE

BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED

Company Number: 212802

COMBINED STRATEGIC AND DIRECTORS' REPORT

The Directors present their report for the year ended 5 April 2018.

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

Business Model

The Company exists to provide 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 and Royal Ordnance Pension Scheme.

The Company itself is non-trading, consisting of an intercompany loan provided to BAE Systems plc. The terms of this loan are non-interest bearing and repayable on demand.

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

Principal risks

The only risk to which the Company is exposed is that of credit risk on its intercompany loan. The Company mitigates this risk by maintaining good ongoing relationships with its parent company and seeking annual confirmation from the counterparty of the existence and terms of the loan.

Directors and Company Secretary

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

Mr. P. J. Lynas	Chairman
Mr. D. G. Adam	
Mr A. J. Gallagher	
Mr N.P. Tinsley	

The Company Secretary to the date of this report was Mrs H. Clifton (appointed 2 January 2018). Mr D. Holmes resigned on 2 January 2018.

BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED
Company Number: 212802

COMBINED STRATEGIC AND DIRECTORS' REPORT (CONTINUED)

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



H. Clifton
Company Secretary

Date: 18th June 2018

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

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

The directors are responsible for preparing 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: 212802

**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 for the year ended 5 April 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equities, Statement of Cash Flows, Statement of Financial Position and the related notes. 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 2018 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.

Who we are reporting to

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.

BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED
Company Number: 212802

**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.

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 has 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 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 of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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.

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. This description forms part of our auditor's report.



William Pointon

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 2 July 2018

BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED
Company Number: 212802

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 5 APRIL 2018**

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 2018**

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 2018**

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: 212802

**STATEMENT OF FINANCIAL POSITION
AS AT 5 APRIL 2018**

	Note	5 April 2018 £	5 April 2017 £
CURRENT ASSETS			
Amounts due from related parties	6	15,166,941	15,166,941
NET ASSETS		15,166,941	15,166,941
CAPITAL AND RESERVES			
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
		15,166,941	15,166,941

These financial statements were approved by the Board of Directors on 18 June 2018.



Director

The notes on page 8 form part of these financial statements.

BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED
Company Number: 212802

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 212802.

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

The Company is the appointed investment manager of 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 and 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 except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Principal accounting policies

The Company has adopted the provisions of both Section 11 and Section 12 of FRS102 in full in relation to Financial Instruments.

Loan commitments have been recognised at cost less impairment.

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

	5 April 2018	5 April 2017
	£	£
Authorised, allotted and fully paid		
5,015,000 ordinary shares of £1 each	5,015,000	5,015,000
	5,015,000	5,015,000

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Related party transactions

Other than the intercompany loan disclosed in Note 6, the only related party transaction relates to the costs of the annual audit which were borne by the company's ultimate holding company without any right of reimbursement.

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.