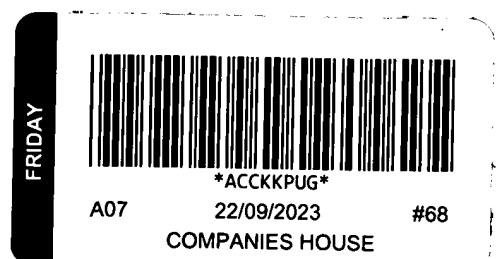


Company Number: 00212802

**BAE SYSTEMS PENSION FUNDS  
INVESTMENT MANAGEMENT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
5 APRIL 2023**



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

Company Number: 00212802

## **STRATEGIC REPORT**

The Directors present their Strategic Report for the year ended 5 April 2023.

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

### **Business model**

Throughout the year, the Company acted as the lead investment manager for the BAE Systems Pension Scheme, which comprises the BAE Systems Section and the Airbus Section, and the BAE Systems Executive Pension Scheme and also provided some investment management services to the Royal Ordnance Pension Scheme.

The Company itself is non-trading and investment management services are provided to the pension schemes by using staff employed by BAE Systems plc. The costs of these services are accumulated by BAE Systems plc and recharged to the schemes.

The Directors assess the performance of the Company using a mix of financial and non-financial measures including:

- Monitoring the investment performance of the portfolio under management against the instructions issued by BAPFIM's clients and external benchmarks.
- Monitoring the cost of providing the Company's services against the budget approved each year by the Board.
- As a regulated business, monitoring compliance with all applicable laws and regulations and ensuring the organisation operates within its approved risk appetite

During the year the Company's clients made a decision to transfer their business to a third party investment manager. They are currently negotiating contractual arrangements with a third party that are expected to result in the cessation of the Company's business. This transfer is expected to be completed during the year ended 5 April 2024 and, once it is completed, then the Company's activities will cease and it will enter an orderly winding down process.

### **Principal risks**

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

BY ORDER OF THE BOARD



B. Effanga  
Company Secretary  
Date: 10 July 2023

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

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**DIRECTORS' REPORT**

The Directors present their Directors' Report for the year ended 5 April 2023.

**Directors and Company Secretary**

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

Mrs. K.E. Davies (resigned 26 July 2022)

Mr. D.A Green (appointed 5 September 2022)

Mr. S.B. Pearson

Mrs. A.E. Troup (Chair)

Mr. M.S.J. Westcott

The Directors are all beneficiaries of Directors and Officers indemnity insurance the cost of which is met by BAE Systems plc.

Miss B. Effanga served as Company Secretary throughout the year.

**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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Financial risk management**

The only financial risk to which the the Company is exposed is credit risk on its intercompany loan to BAE Systems plc. Due to the financial strength of the parent company, the Company does not believe that this is a significant risk.

**Going concern**

Due to the decision by the Company's clients to transfer their business to a 3<sup>rd</sup> party asset manager the Directors are of the view that the Company is no longer a going concern and the financial statements have been prepared on basis other than that of a going concern. The valuation of the Company's sole asset, the intercompany loan due from BAE Systems plc, is not effected by this and so no adjustments have been required to be made.

**Subsequent Events**

Details of significant events occurring after the end of the financial year are disclosed in Note 12 to the Financial Statements.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**DIRECTORS' REPORT (cont'd)**

**Auditors**

Deloitte LLP have confirmed their willingness to remain in office as the Company's independent auditor. Resolutions proposing their re-appointment and remuneration have been passed by the board.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'B. Effanga', written over a horizontal line.

B. Effanga  
Company Secretary

Date: 10 July 2023

Warwick House  
P.O. Box 87,  
Farnborough Aerospace Centre,  
Farnborough, 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 AUDITOR'S REPORT TO THE MEMBERS OF BAE SYSTEMS  
PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

In our opinion the financial statements of BAE Systems Pension Funds Investment Management Limited (the 'Company'):

- Give a true and fair view of the state of the Company's affairs as at 5 April 2023 and of its result for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The statement of comprehensive income;
- The statement of financial position;
- The statement of changes in equity;
- The statement of cash flows; and
- The related notes 1 to 12.

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).

**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 Financial Reporting Council's (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.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)**

**Emphasis of matter – Financial statements prepared other than on a going concern basis**

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

**Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement, 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.

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)**

**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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

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 misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- Had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as pensions regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.



**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)**

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- Reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- Reading minutes of meetings of those charged with governance and reviewing correspondence with the Financial Conduct Authority.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**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.

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 any material misstatements in the strategic report or the directors' report.

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS  
STATEMENTS (Cont'd)**

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

**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.



Andy Fern FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom  
Date 10 July 2023

**BAE SYSTEMS PENSION FUNDS INVESTMENT MANAGEMENT LIMITED**

Company Number: 00212802

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 5 APRIL 2023**

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.

This was also the case for the previous accounting period.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 5 APRIL 2023**

The Company has not traded during the accounting period, has received no income, incurred no expenditure and has made no changes to the structure of its Capital or Reserves. Therefore there have been no changes to Equity during the year.

This was also the case for the previous accounting period.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 5 APRIL 2023**

The Company does not hold any cash balances, nor does it hold a bank account, and there have been no cash or non cash movements during the year.

This was also the case for the previous accounting period.

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 5 APRIL 2023**

	<b>Note</b>	<b>5 April 2023 £</b>	<b>5 April 2022 (Restated) £</b>
<b>NON 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 5 July 2023



Simon Pearson  
Director

The notes on pages 12 to 14 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, GU15 6YU.

### **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 and are presented in Sterling (£) which is the Company's functional currency.

Due to the planned cessation of business of the Company these financial statements have been prepared on a basis other than going concern. However as this does not affect the value of the Company's sole asset, a receivable from its parent company, and as the Company's clients and parent company will meet all of the costs incurred in the winding up of the Company, no adjustments to the Financial Statements have been necessary as a result of ceasing to apply the going concern basis.

The prior year comparative for the Company's sole asset has been reclassified as a non-current asset as described in Note 6.

### **3. Critical accounting judgements and key sources of estimation uncertainty**

The Directors believe that there were no critical accounting judgements or sources of estimation uncertainty in the preparation of these financial statements.

### **4. Principal accounting policies**

The Company's sole asset, the intercompany loan due from BAE Systems plc, is carried at amortised cost and as the loan is non interest bearing no interest income is recognised.

### **5. Directors' emoluments**

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

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

**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 fully recoverable from BAE Systems plc on demand. This balance has been reclassified as a non-current asset as the receivable is not expected to be realised within twelve months. The prior year comparative has been restated accordingly.

No impairment has been made against the loan (2022: No impairment).

**7. Called up share capital**

	<b>5 April 2023</b>	<b>5 April 2022</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.

**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 following:

The cost of services provided by the external auditor were borne by the Company's ultimate holding company without any right of reimbursement. £15,500 of the cost (2022: £14,500) was in respect of the audit of the financial statements and £12,840 (2022: £12,000) was in respect of the CASS Regulatory audit requirements. No other non-audit fees were incurred (2022: nil)

The provision of staff and other services from the Company's ultimate holding company for which no recharge is made.

**10. Task Force on Climate-Related Financial Disclosures (TCFD)**

The Company has considered the recommendations of the TCFD and has concluded that no disclosures are required.

**11. Ultimate holding company**

The immediate parent and 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.

**12. Subsequent Events**

Since the end of the year the Company's clients have, as described in the Strategic Report, continued to negotiate contractual arrangements with a third party asset manager that are expected to result in the cessation of the Company's activities. The Company is currently preparing a plan for its orderly wind down.